

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

Siemens US deal
provokes
furore, Page 20

World news Business summary

Soviets 'direct torture in Kabul'

Soviet officials are often present during torture sessions in Afghanistan, according to evidence from former prisoners which is contained in a report by the London-based human rights organisation Amnesty International.

The report published today says political prisoners are still being regularly tortured by Afghan security forces. Amnesty says many former prisoners state that Soviet officials are present during the torture and often participate in or direct the application of torture to the Afghans. Report, Page 4, Bombing continues, Page 23

Kim Il Sung alive

Kim Il Sung, the North Korean President, quashed reports of his assassination when he appeared at Pyongyang airport to greet visiting President Zhumuyi Batmunkh of Mongolia. Page 4

French reforms

French political reforms, including the reshaping of constituencies, were endorsed by the country's Constitutional Council. The Chirac Government reforms had been challenged by Socialists.

Brazilian talks

President Jose Sarney postponed talks with his senior ministers and instead called in Ulysses Guimarães, leader of the Brazilian Democratic Movement for discussions on a new economic adjustment package. Page 5

Rebel warning

Sri Lanka's Tamil rebels warned residents in the island's northern region that a new military offensive was imminent after the guerrillas rejected a peace formula put forward by Colombo.

Swapo raided base

Namibian nationalist guerrillas (Swapo) said they killed 18 South African soldiers and wounded several more in an attack on a military base in northern Namibia (South West Africa), the official Angolan news agency said.

Sanctions rejected

Lucas Mangope, president of the black South African homeland of Bophuthatse, condemned western sanctions against Pretoria, saying they were slowing the process of social reform.

Cyprus conference

Senior Greek Cypriot officials said they would continue to work for an international conference on the Cyprus problem, an idea which is opposed by the US, as the best way of trying to reunite the divided eastern Mediterranean island. Page 5

Narcotics killing

Gunmen in Bogota shot dead Colonel Jaime Ramirez, the former head of the anti-narcotics police, who had mounted several major operations against Colombia's cocaine traffickers, police said.

Anti-pollution plea

Poland is renewing its efforts to get other Comecon countries to sign a controversial agreement committing them to pay mutual compensation for pollution of waterways arising from industrial accidents. Page 2

Mozambique exodus

About 200,000 Mozambicans have fled into Malawi in the past six weeks to escape rebels, said the official Mozambique news agency. It also reported that 44 peasants had been hacked to death by rebels in two incidents.

Anti-alcohol drive

Bulgaria announced measures to turn saloons and taverns into coffee shops and snack-bars as part of a national drive against alcohol.

Wall St stocks in sharp decline

WALL STREET stocks fell sharply during late trading as caution spread in the wake of the recent insider trading revelations.

By the close of business, the Dow Jones industrial average was down 43.21 at 1,817.21 after being 26.53 lower at 3pm. Sharemarket report, Page 44

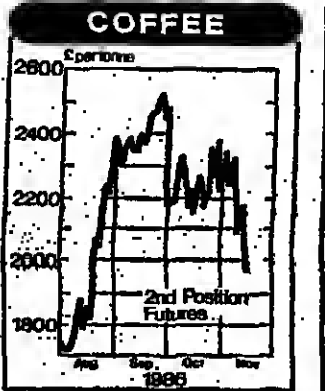
OIL consumption is likely to rise fairly slowly for the rest of this century, putting only moderate upward pressure on prices, according to an unpublished study by the International Energy Agency in Paris. Page 20

AUSTIN ROVER, UK state-owned car maker, next year hopes it will sell at least 27,000 cars in the US - a market it quit in 1980 - giving Britain's balance of payments a \$400m boost, said Mr Norman Braman, chairman and major shareholder in Austin Rover Cars of North America. Page 15

LONDON'S Stock Exchange Council advised members to contact the Stock Exchange before they have any dealings with Ivan Bosky, the man at the centre of Wall Street's latest insider trading scandal. Page 12

GIORGIO ARMANI, Milan fashion designer, is planning to open 150 Emporio Armani outlets in the US and 30 new shops in Europe. Page 21

COFFEE: London futures market moved higher in the morning but resumed its slide after a weaker-than-expected opening in New York. The January position fell 28.50 to £1,970.50 a tonne, giving a fall on the week of £74.50. Page 36



GOLD rose \$0.125 to \$381.25 on the London bullion market. It also rose in Zurich to \$380.95 from \$380.25. Page 36

In New York the Comex December settlement was \$394.50.

STERLING fell in London to \$1.4235 (\$1.4265). It also fell to DM 2.8850 (DM 2.8750); Y281.50 (Y282.50); Sfr 2.3825 (Sfr 2.3825), and Ffr 9.3800 (Ffr 9.4175). The pound's exchange rate index fell to 68.2 from 68.5. Page 37

DOLLAR fell in London to DM 2.0125 (DM 2.0130). It also fell to ¥162.70 (¥162.75) and Ffr 6.5000 (Ffr 6.5925), but was unchanged at Sfr 1.6740. On Bank of England figures the dollar's exchange rate index was unchanged at 111.2. Page 37

TOKYO: Unfavourable influences receded and share prices staged a moderate rally. The Nikkei average added 65.38 to 17,273.83. Page 44

LONDON: Share prices were again lower on worries about Wall Street and the Bosky affair. The FT-SE 100 index fell 11.1 to 1,617.5 and the FT Ordinary index lost 6.9 to 1,271.4. Page 44

CHINA'S foreign investment fell further in the first nine months to \$2.4bn, down 43 per cent on last year. Page 6

SIEMENS, West German electrical and telecommunications group, planned to pay an unchanged DM 12 dividend for the year ending in September 1986. Page 21

NEKDORF, West German computer company, boosted turnover by 17 per cent to more than DM 2.8bn (\$1.4bn) in the first nine months of 1986. Page 21

Action Directe says it killed Renault chief

BY PAUL BETTS AND DAVID HOUSEGO IN PARIS

ACTION DIRECTE, the French left-wing terrorist group with links to other European terrorist movements, yesterday claimed responsibility for the murder of Mr Georges Besse, the chairman of Renault, the French state-owned car group.

French police said that several witnesses had come forward to confirm that two young women in their twenties had shot Mr Besse at close quarters a short distance from his Paris house on Monday night. But the police appeared to have no clues to the identity of the terrorists.

The killing of one of the most prominent French industrialists presents a major test for the French Government's anti-terrorist policies at a time when the security forces have yet to arrest any of the

extremists involved in the wave of terrorist bombings in September which killed 13 people and wounded 250 others.

The French Government is expected to decide quickly on a successor to Mr Besse as head of Renault. Among candidates are Mr Jean Gaudet, the current chairman of the nationalised Pechiney aluminium and metals group, and Mr Raymond Levy, the former head of the Coteur steel group. Mr Jacques Mayoux, the former chairman of the Societe Generale bank, has also been mentioned as a possible successor to Mr Besse.

The decision could be announced at a Renault board meeting next Tuesday, although an extraordinary meeting of the car group's board might be held earlier. The

new appointment would be formally ratified by the Cabinet of Mr Jacques Chirac next Wednesday.

tributes to Mr Besse poured in all day from politicians, business leaders and unions, including the Communist-led CGT. An official funeral service for Mr Besse is to be held at the Invalides on Friday. Mr André Girard, Defence Minister and the godfather of one of his five children, will give the main address.

Action Directe claimed responsibility for the murder in a statement left lying in a Paris Metro station. The statement was signed "Commando Pierre Overney" - a reference to a Marxist worker who was killed in rioting outside Renault's main Paris plant 14 years ago by a Renault security guard, who was



Mr Georges Besse

Yves St Laurent acquires Charles of the Ritz

By Paul Betts in Paris

THE LEADING French haute couture house of Yves Saint Laurent treated itself yesterday to a 530th birthday present by acquiring Charles of the Ritz, the fashionable cosmetics and perfume company owned by the US Squibb group.

The French fashion designer and his partner Mr Pierre Berge had long cherished the idea of taking over Charles of the Ritz, which owns the highly successful line of Yves Saint Laurent perfumes, including the Opium brand. This ambition was fulfilled yesterday on the 25th anniversary of the foundation of the house of Yves Saint Laurent with the help of a group of bankers and Mr Carlo De Benedetti, the Italian financier and entrepreneur who recently became a partner in the fashion house.

The transaction is also the third largest US acquisition by a French group after the \$2.5bn takeover of Telesat by Elf Aquitaine and the recent \$1.06bn takeover of Big Three Industries of Houston by Ixair Lignite.

Yves Saint Laurent's hopes of gaining control of Charles of the Ritz were raised this summer when Squibb said it wanted to shed its cosmetics and perfume subsidiary. To mount the takeover against Japanese and American competition, Yves Saint Laurent teamed up with Ceres, the new French holding company of Mr De Benedetti which has just bought a 25 per cent stake in the French fashion house for Ffr 255m (\$99m).

Yves Saint Laurent is believed to have made the best offer for Charles of the Ritz against rival bids from Avon Products and Shiseido of Japan. The French group and its Italian partner are being backed in their acquisition by a group of banks including Credit Suisse First Boston, Banque Paribas de Paris and Banque Indosuez.

Yves Saint Laurent and Mr Carlo De Benedetti's main holding company CIR plan to set up a new holding company to control the US acquisition. The new company YSL-CIR will have a capital of £175m and will be 85.7 per cent owned by Yves Saint Laurent and 14.3 per cent held by CIR International.

The group of banks backing the transaction will advance \$45m in medium and short-term credits and other facilities to complete the deal.

Charles Hodgson adds from New York: The sale of Charles of the Ritz is the latest step in a long-term

Continued on Page 20

Thatcher rules out EMS entry before next general election

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, has firmly ruled out further consideration of full UK membership of the European Monetary System until after the next general election.

She said the British economy was not "quite strong enough yet" for EMS. "We are getting stronger and one day we will go in," she added, saying that she would expect to reconsider the issue after the election.

Mrs Thatcher's explicit statement of EMS for doubts about membership contrast with the support for entry expressed by the British Treasury, the Foreign Office and the Bank of England.

Her comments were made during an hour long interview with the FT in her Downing Street study. She was at her most confident, looking forward to at least another term in office and "getting rid of socialism" as a second force.

Mrs Thatcher must go to the electorate before June 1988.

Mrs Thatcher stressed throughout that she wanted to join the EMS from a position of "I want to be absolutely certain that there can be no repetition of what happened before, when we came out of the snake," (the linking of ERM currencies which started in 1972 after a couple of months). "When we go in, we will go in strong and stay in."

She repeatedly said that entry would not be an easy or a soft option.

Mrs Thatcher also argued that other EEC countries should reconsider the rules, particularly the restriction of exchange controls in most cases.

She expressed concern about "hitching our wagon to a D-Mark standard and all the problems we would have to deal with if it comes." She thought the pound would be tested and that would mean "swinging up interest rates very sharply" since "there is no way you can intervene to any great extent."

Mrs Thatcher thought the pound had gone low enough against the D-Mark but did not repeat what Mr Nigel Lawson, the Chancellor of the Exchequer, has said about raising interest rates if the pound comes under pressure. She underlined her dislike of increasing interest rates and market intervention. "We may believe it (the pound) has gone enough but it is what the market believes and you know what the market is: 95 per cent of the movement is speculation and the other 5 per cent is trade."

Mrs Thatcher denied that her visit to Washington last week for talks with President Ronald Reagan was designed to reaffirm US agreement for the sale of Trident nuclear missiles to Britain.

The Prime Minister conceded, however, that following the discussion of possible deep cuts in strategic missiles at the Reykjavik summit "people were making a point of revealing his intentions as much as I could," said Mrs Thatcher. "We negotiated there very thoroughly."

Mrs Thatcher said that she was putting deep cuts in strategic weap-

Fresh move by France to ease currency curbs

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government yesterday unveiled a further relaxation of its foreign exchange controls and a new initiative to stabilise the international currency markets.

Mr Edouard Balladur, Minister of Finance and the Economy, announced the end of "domestication" of the bureaucratic controls on companies' trade-linked transactions first imposed in 1968. He also announced further relaxation of the currency controls on French citizens travelling overseas.

Banks are also to be permitted to make French franc loans to non-residents - albeit within limits. Those might be regarded as purely financial transactions, which are only supposed to be compulsorily liberalised under the next phase of EEC measures.

Mr Balladur's package goes beyond the EEC moves in respect of the French franc loans to non-residents - albeit within limits. Those might be regarded as purely financial transactions, which are only supposed to be compulsorily liberalised under the next phase of EEC measures.

Mr Balladur said the aim was mainly to allow French banks to participate in Paris operations which they now carry out in London. There will be limits designed to tie franc lending to non-residents to Eurofranc assets held abroad.

The main planks of French exchange controls - the block on complete freedom of franc lending to non-residents and the block on French residents holding bank accounts abroad - remain untouched by the latest measures, which are the fourth batch of exchange controls removed by the Government since it came to power in March 1981.

The Government is not expected to abandon exchange controls entirely until it is more confident about the stability of the franc's exchange rate against the D-Mark.

Feature: Page 18

Goldsmith defends his role to Congress as a corporate raider

BY WILLIAM HALL IN WASHINGTON

SIR JAMES GOLDSMITH, the Anglo-French financier who has mounted a \$5.5bn bid for control of Goodyear, the world's biggest tyre manufacturer, yesterday reacted angrily to allegations that he was an asset stripper and said that he had intended "vigorous life" into several companies with which he had been associated.

"While there is still time for our nation, I urge you to put some reasonable curbs on the activity that is sapping more and more of our industrial strength," Mr Mercer said.

The Goodyear chief executive said that anyone seeking to take control of a company should be required to reveal his intentions at the start of the takeover bid, rather than after a significant portion of the company's stock has been acquired. He also said anyone who gets five per cent or more of a company's shares should be required to keep that position for at least one year.

Sir James took particular exception to repeated allegations from a largely hostile audience that his activities were detrimental to America.

When Congressman John Seiberling of Ohio, the grandson of Goodyear's founder, questioned his motives, Sir James snapped back: "Check your facts before jumping to yet another prejudiced conclusion."

He listed several Ohio companies, ranging from the US Playing Card Corporation to the Heekin Can Company, which he had acquired and subsequently sold as part of an earlier acquisition of the Akron-based Diamond International Corporation.

They had been sold to investor groups and Sir James said that their sales, profits and employment were all up substantially under their new owners.

"That is what happens when companies are liberated from tired conglomerates. Up and down the country, hundreds of erstwhile stagnant divisions of large bureaucratic corporations have been freed," said Sir James, who stressed that corporate raiders created prosperity.

Sir James said that he felt as strongly in his views about corporate restructuring as Congressman Seiberling felt about Goodyear.

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EUROPEAN NEWS

Two British airlines apply for range of new routes to Europe

Two UK independent airlines, Air Europe and British Caledonian, are seeking rights to fly scheduled services between Gatwick and a range of European destinations, as a test of the newly-emerging competition in European air transport, writes Michael Donne, Aerospace Correspondent.

Air Europe has applied to the Civil Aviation Authority for rights to Paris, Amsterdam, Frankfurt, Geneva,

Brussels, Zurich, Dusseldorf, Milan, Rome and Copenhagen. British Caledonian is applying to fly to Copenhagen, Oslo, Stockholm, Athens and Rome.

Mr Harry Goodman, chairman of International Leisure Group, the parent of Air Europe, said yesterday that its route bid was aimed at bringing the efficiencies of charter airline operations to traditional scheduled routes.

Air Europe services would be based on the economics of

high aircraft utilisation, strong marketing and high standards of service. Detailed fares were not being revealed just yet, but they would be 15 per cent cheaper at least than existing Club Class.

Mr Goodman stressed that both ILG and Air Europe were convinced not only that the Hercules would be awarded by the CAA but also that the foreign governments would be obliged eventually to concede the rights to Air

Europe to serve their countries.

"There is no half-way house about our applications," he said. "We want the lot, and we are prepared eventually to go to the European Court if we are blocked, and again and again, until we get our way."

Air Europe will expand its current fleet of two Boeing 737-300s and three Boeing 757s by the addition of four 737-300s by next spring and two further 737-300s in 1988.

The new scheduled routes would add up to 700 new jobs in Air Europe at Gatwick, British Caledonian said its applications were in fact renewals of bids made some time ago for the routes involved, but which were rejected by the European governments concerned.

Mr Alastair Pugh, vice chairman of BCal said that the recent UK initiatives with the EEC transport ministers failed in gaining improved access for British airlines.

"BCal, nevertheless, intends to continue to compete vigorously for route opportunities in Europe for the development of our network hub at Gatwick."

He said that BCal's bid was accompanied by plans to apply cheap fares on the routes, at rates substantially below the normal economy return fares. One-Eleven aircraft would be used, but eventually the new A-320 Airbus would be employed.

Turkey-US accord nearer on defence and economic aid

BY DAVID BARCHARD IN ANKARA

TURKEY AND the US appear to be nearing agreement on a new defence and economic co-operation agreement (DECA), after 14 months of sometimes acrimonious bargaining, but on terms which fall far short of Ankara's original expectations.

The last five-year agreement expired last December but it remains in force until a new one is completed. Turkey has been pressing for improved terms for military and economic aid, including a medium term guarantee intended to protect aid programmes from last-minute changes by the US Congress. The US position is that such a guarantee is constitutionally impossible to give.

Last week, however, Mr Richard Perle, the US Deputy Secretary of State, met Prime Minister Turgut Ozal and is reported to have undertaken that the US would try to provide more medium term commercial credit and to convince the other Nato members to do the same.

Turkey is facing mounting difficulties with its balance of payments after the collapse of some of its best export markets in the Middle East. It seems increasingly probable that the Government will have to approach the IMF next spring to negotiate the first standby agreement for three years.

However, Mr Perle is also believed to have promised to supply extra weapons and military equipment from surplus stocks, and a possible change in the interest charged on the \$1.6bn Turkey owes on its foreign military sales backlog of debts. Mr Perle is reported to have proposed a reduction which would save Turkey \$200m in debt repayment.

The US wants Ankara to accept a "side letter" in the formal DECA treaty. Under this arrangement, the bulk of the treaty would continue virtually as at present, while the new US offers would be contained in the letter which would be presented by Mr George Shultz, the US Secretary of State, to the Turkish Foreign Minister, Mr Yigit Bulent, during his visit to Washington early in the New Year.

It may take the Turks some time to make up their minds whether to accept this latest offer. Turkey is a key strategic ally of the US and its intelligence operations in the Soviet Union. But the negotiations of the past year seem to suggest that Turkey's bargaining power is much less than it believed at the outset.

Flight plans take off into heavy weather

Tim Dickson on the European seats carve-up

FOR THE past four Mondays an Aer Lingus flight has left Dublin at 9 am, set down a group of Irish politicians and civil servants at Brussels' Zaventem airport then taken off again with the remainder of its passengers for the ultimate destination, Milan.

Given the specific requests for a Monday morning service to Belgium by Irish passengers heading for the EEC—and given that Aer Lingus's direct flight from Dublin to Milan has had large numbers of empty seats during the winter months—this "triangular" route would appear to be a sensible solution for all concerned.

But under the current government - to government regulations governing EEC airlines, putting on a new

schedule like this is seldom straightforward.

The plan has already run into opposition from the Belgium Government and its state airline Sabena, who claim that it contravenes a 1981 agreement between Belgium and Ireland carving up the number of seats each airline can sell on the Dublin to Brussels route.

As things stand, Sabena is understood to have agreed that the new service should operate until March but only if Aer Lingus considers concessions on its side which would even out what the Belgium carrier sees as a new competitive disadvantage.

While it is not clear that

Aer Lingus's plans would automatically be sanctioned under the modestly reformist British proposals for EEC aviation curricula before the EEC Community's Transport Ministers, the case illustrates the sort of legal restrictions which those attempting to make European airlines more efficient hope will one day be swept away.

The major British ideas on which agreement founded last week are for more flexible conditions on discount and deep discount fares, an end to rigid 50/50 bilateral capacity sharing deals, and extra scope for airlines to introduce new services on existing routes.

In the context of market

access, Ireland has consistently raised the question of "fifth freedom rights" permission for aircraft to make intermediate stops, setting down and picking up passengers en route to a final destination.

As a small country on the periphery of Europe with a relatively limited number of aircraft the issue is central to Dublin's ultimate approval of any liberalising package.

Ireland's Transport Minister, Mr Jim Mitchell, has nevertheless indicated that as an interim measure he would be prepared to accept "combination of points"—Euro-Argon for the automatic right solely to set passengers down at an intermedi-

ate stop. This is one of the principles at stake in the dispute over the Brussels-Dublin Monday morning service.

Until recently Irish passengers wishing to fly to Brussels on Monday morning had to board an Aer Lingus flight to Amsterdam, then catch a connecting KLM flight to the Belgian capital.

The inspiration for the new direct service to Brussels was ironically only provided when KLM changed its schedule for domestic reasons, unwittingly stranding the Brussels-bound Irish passengers half-way to their destination and leading to direct passenger demands to Aer Lingus to find an alternative.

An Aer Lingus spokesman claimed yesterday that the "new" service is thus aimed at existing traffic which Sabena would not in any case be in a position to capture.

He explained that the new arrangement enables Aer Lingus to use the Milan-bound aircraft more efficiently, with consequent savings in fuel costs and wages for crews.

Sabena however, counters that the extra flight contravenes the agreement signed by the Irish and Belgian Governments which lays down schedules for the Brussels-Dublin route on a roughly 60/40 seat sharing basis in favour of the Irish.

In winter it gives Aer Lingus five flights a week, against Sabena's three, with six for the Irish airline in the summer and three for Sabena.

The deal does not cover fares, which are negotiated separately and are identical for both carriers.

Sabena claims that the Monday morning flight will push the Aer Lingus share of seats from around 60 per cent at the moment to nearly 75 per cent of the total. Sabena is looking for compensation in the form of concessions elsewhere.

Under the 1981 deal between Ireland and Belgium there is no provision as in some other bilateral agreements between airlines for "pooling" the revenue from tickets on a negotiated basis.

The Belgian airline initially threatened to prevent the Monday morning service going ahead but changed its mind when Aer Lingus pointed out that bookings had already been taken.

An uneasy truce now exists. A Sabena spokesman said last night that there had not been proper consultation on what represents a change to the 1981 agreement. "The flight is going ahead pending negotiations between the Belgian and Irish aviation authorities," he said.

Denmark plans EEC drive to curb pollution

By Hilary Barnes in Copenhagen

DENMARK is to launch a plan in the EEC to curb pollution, according to Mrs Britta Schall Holberg, Minister of Agriculture.

She said the scheme would be based on Denmark's own plan to curb the pollution of Danish coastal waters by nitrogen and phosphorous wastes.

A resolution in the Folketing yesterday called on the Government to submit a plan by February 1 next year for halving the emission of nitrogen wastes from agriculture, industry and households over the next three years and to cut phosphorous wastes by 80 per cent over the same period.

The Folketing's action follows the discovery this autumn of areas of coastal waters in which life was frustrated by de-oxygenation

UK 'determined' on air fares

BY TIM DICKSON IN BRUSSELS

MR MICHAEL SPICER, Britain's Aviation Minister, yesterday reaffirmed Britain's determination to win agreement on its airline liberalisation proposals before the end of the year.

In a markedly more upbeat mood than at the end of the last unsuccessful meeting of EEC transport ministers earlier this month, he told journalists in Brussels yesterday that there were tentative signs that "obstructive" member states might be moving towards Britain's position.

This month's EEC transport council ended in disarray when only six member states could agree on British plans for relaxing the restrictive conditions on discount and deep discount fares. However, hopes were raised by the fact that there seemed to be a clear majority in favour of the other two elements

of the "package" - outlawing those bilateral deals between governments which enable airlines to carve up seats on a particular route on a 50-50 basis and allowing airlines to challenge established operators on existing routes.

Mr Spicer and Mr John Moore, UK Transport Minister, will be hoping to capitalise on any change in sentiment in the next couple of weeks during a series of bilateral negotiations aimed at convincing the six countries against reform of the merits of their arguments.

Mr Spicer also went on record for the first time yesterday to indicate that special transitional measures could be applied to Greece, one of the member states most hostile to more airline competition. Addressing a lunch in Brussels, he said: "We clearly cannot have the development of Europe held up because of

individual and specific practical difficulties in, say, the Greek islands. We are ready to support the necessary derogations."

He added later that at present he could see no circumstances in which such exemptions could legitimately be granted to other member states.

Mr Spicer, however, also repeated that the present proposals were Britain's "bottom line" and that there was no room for further compromise. Ministers are known to have been hurt by the bitter criticisms of some consumer groups, who have claimed that the ideas now on the table are a "sell out" to airline customers and fall far short of radical reform.

The success or otherwise of negotiations in the next few days will determine whether Britain puts the



Spicer: alternative course

airlines issue on the agenda of the December Transport Council, or indeed whether it will be formally discussed at the EEC summit early next month.

Poles seek Comecon pact on pollution compensation

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND IS renewing its efforts to persuade other Comecon countries to sign a controversial agreement committing them to pay mutual compensation for pollution of waterways arising from industrial accidents.

Mr Jerzy Urban, the Government spokesman, said Poland first made the suggestion in 1984. It had been given new impetus by an oil spill in Czechoslovakia last week when 80 tonnes of the high sulphur fuel escaped into the river Oder which runs through Polish territory.

A commission is assessing the cost of the damages," Mr Urban said, but he declined to say whether Poland would demand compensation. However, he implicitly criticised the Czechoslovakia for not warning Poland about the accident by saying that warning systems in such cases were inadequate.

In the summer Poland made no claim on the Soviet Union for damages arising from the Chernobyl nuclear disaster but did make a "clear" statement about the lack of warning.

Poland's hard currency surplus after 10 months of the year amounted to \$77m, latest Government figures show. Hard currency exports were 2.7 per cent down on the same period last year, while hard currency imports rose by 3.2 per cent and industrial output by 4.5 per cent.

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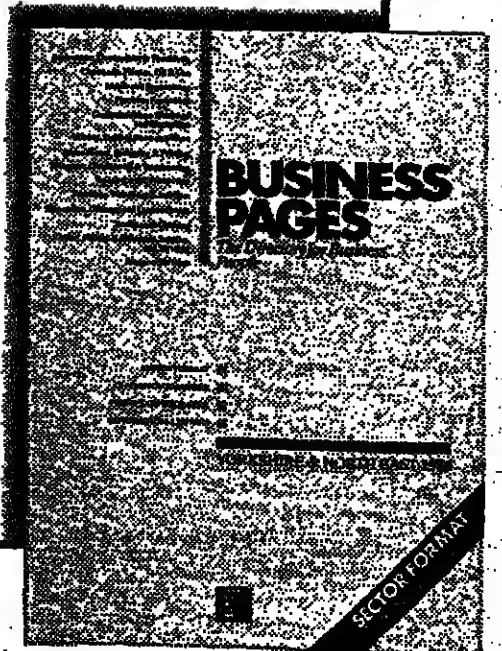
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French to pay more for health services

BY DAVID HOUSEGO IN PARIS

AN INCREASE in hospital charges payable by patients and the removal of most vitamins from the list of subsidised medicines were among the measures announced yesterday by the French Government to achieve FFr 9.5bn (€1bn) of savings in health spending.

The measures announced by Mr Philippe Seguin, the Minister of Social Security and Employment, are intended as a prudent, rationalisation of health expenditure which in no way calls into question the principle of the social security system.

Defining members of his own party who would like a more fundamental review of social security spending, Mr Seguin emphasised that the measures had been adopted after the closest consultation with representatives of employers and union organisations.

In France, the social security system is run as a partnership by both sides of industry, though repeated deficits in the social security funds have forced growing government intervention.

Mr Seguin said that the spending cuts have been taken in the context that health spending had risen by 9.9 per cent last year and would rise a further 5.2 per cent this year. He said that the national health insurance fund which is funded largely out of social security

contributions was faced with a deficit of FFr 20.5bn over the two years 1986-87.

He blamed the upward climb in health spending on a steady increase over 10 years in exemptions from prescription payments and in an over-indulgence by patients in medicines.

Under the measures announced yesterday patients will be expected to pay FFr 25 (€2.65) a day compared with FFr 23 (€2.44) currently as living expenses in hospital. The Government had earlier sought to raise the charge to FFr 31 (€3.29) but now intends to initiate an inquiry into relating patient charges to the type and length of treatment.

As well as removing most vitamins from the list of state subsidised medicines, the Government also announced patients will no longer be able to collect refunds on non-essential, "reassuring" medicines.

Among other changes decided by the Government, or agreed with unions and employers, are reductions in sickness benefit in certain circumstances, the abolition of free postage in correspondence with the social security authorities and a reduction of exemptions on prescription payments for patients claiming a long succession of illnesses.

Quick decision likely on Besse successor

BY PAUL BETTS IN PARIS

THE FRENCH Government is expected to move swiftly in naming a successor to Mr Georges Besse, chairman of the state-owned Renault motor group killed by terrorists on Monday night, although there is no immediately obvious candidate.

The company was in a state of shock yesterday and officials claimed that the problem of Mr Besse's succession had not as yet become an issue inside the group. A board meeting is due to take place next Tuesday, but an extraordinary meeting could be called before-hand to approve the nomination of a new chairman which would subsequently be formally ratified by the French Cabinet which meets regularly on Wednesdays.

The choice will be crucial for the group which is in the midst of a delicate and complex restructuring programme. Mr Besse was aiming to return the company to the black by the end of next year, after a record FFr 12.5bn (€1.3bn) loss in 1984, a further loss of FFr 10.9bn last year and an expected FFr 5bn this year.

Mr Alme Jardon, Renault's technical director and deputy managing director, is acting as interim chairman. Meanwhile, the company is adopting "a business as usual" attitude and continuing with the programme of its former chairman. It will go ahead with a meeting of its central work council on Friday

to review the employment situation in the French car division. Renault is expected to announce that meeting a further series of jobs cuts involving 5,000 people.

Industry and political observers expect the Government to select another outsider to succeed Mr Besse. A name frequently mentioned in the past 24 hours is that of Mr Jean Gandola, currently chairman of the Pechiney aluminium and metals group which Mr Besse also headed before being appointed to Renault. Like Mr Besse, Mr Gandola is a leading trouble-shooter in French industry. Moreover, he is also known to be close to

the neo-Gaullist RPR party of Mr Jacques Chirac, the French prime minister.

However, Mr Gandola does not appear to have been approached so far and in any case his eventual move from Pechiney would pose a serious problem for the aluminium group. He only recently took over at Pechiney, which has had four different chairmen in the past four years, and has been working on defining a strategy for the company.

Other possible outsiders mentioned are Mr Raymond Levy, former head of the Usinor steel group who was dropped by the former Socialist administration, and Mr Jacques Mayoux, former chairman of the Societe

Generale bank and also a former steel industry chief executive.

The names of some insiders have also been mentioned. One possibility is Mr Philippe Gras, the tough head of Renault Vehicules Industriels (RVI), the group's large truck subsidiary. Another, although unlikely, contender is Mr Pierre Semerena the former head of Renault's car division and a former head of the truck subsidiary. However, Mr Semerena is regarded to be too closely linked with Mr Bernard Hanon, the Renault chairman forced out by the former Socialist Government to make way for Mr Besse in January 1985.

Nato faces plea on talks over troops

MR VICTOR KARPOV, chief Soviet negotiator at the Geneva arms talks, said yesterday that the Warsaw Pact was about to issue an appeal to Nato for direct contacts on limiting and reducing conventional forces in Europe. Reuter reports from Moscow.

The appeal would be issued following yesterday's previously unannounced meeting in Sofia of a special Pact working group. This had been set up to study ways to implement proposals put to the West last June on sweeping cuts in the armies and conventional weaponry of the two blocs in Europe.

He said there had been no reply from Nato to the June proposals issued after a Warsaw Pact summit meeting in Budapest and Western officials simply said they were still being studied.

The proposals suggested mutual reductions in land and air forces as well as of tactical nuclear weaponry by the two blocs, starting with troop reductions on both sides of from 100,000 to 150,000 men.

In recent weeks, Soviet officials have insisted that the proposals if implemented would help Western European countries overcome their fears of any total withdrawal of US medium-range missiles from Europe.

Terrorist group's range of targets grows steadily wider

BY DAVID HOUSEGO

ACTION DIRECTE, the French terrorist group which yesterday claimed responsibility for the murder of Mr Georges Besse, has been involved in at least three other recent assassination attempts in France and in numerous bomb attacks on public buildings.

Since early last year it has had formal links with the West German terrorist group, the Red Army Faction, and close ties with similar movements in Belgium and Italy.

Its targets have included a range of international institutions and multinational companies in Paris, defence industries, military officers and more recently businessmen—in other words organisations or people symbolic of "Western imperialism."

French police believe that in the summer they uncovered one wing of the movement when they caught Andre Olivier, one of its leaders, in Lyons. His arrest and the discovery of a mass of documents

in his flat led to the capture of 12 other members.

But the more extreme "international wing," which has forged links with other European terrorist movements, so far seems to have eluded investigators.

Action Directe's shift to political assassinations occurred in early 1985 at about the same time that it "merged" with the Red Army Faction. It then murdered General Rene Andrau, the head of equipment purchasing

in the French armed forces.

Since then, it has made unsuccessful attacks on a senior military officer and in April against Mr Guy Brana, the vice-chairman of the French employers' association. The attack on Brana marked a further shift in strategy towards including prominent businessmen.

Among institutions and companies that have been the target of both attacks have been Peugeot, Thomson, Pechiney, and the OECD,

IMF Israeli and South African buildings in Paris.

Statements by Action Directe have been couched in a Marxist jargon of "imperialism" and "oppressive forces." Though Action Directe was believed at one time to have provided logistical support to the Lebanese Revolutionary Armed Faction group responsible for the September bomb attacks in Paris, its links with Middle East terrorist groups are unclear.

Bonn cool to taking new sanctions against Syria

BY DAVID MARSH IN BONN

THE WEST GERMAN Government is damping down expectations that it will decide any new sanctions against Syria, whatever the outcome of a trial of alleged terrorists currently under way in West Berlin.

Bonn has said its attitude towards Damascus will depend on whether conclusive evidence comes to light in the trial of Syrian complicity in the bombing in Berlin. The proceedings started on Monday, and a verdict is expected on November 24.

Officials said yesterday it was unlikely that West Germany would go further than its actions decided along with 11 of the 12 EEC members on November 10. The Community, with the exception of Greece, then agreed to ban all new arms sales to Syria and to suspend high level official contacts. This fell well short of measures sought by Britain to back up

its breaking of diplomatic relations with Syria as a result of the latter's involvement in the attempted blowing up of an El Al airliner at Heathrow Airport last April.

The West Berlin trial involves two Jordanians accused of planting explosives at the West Berlin offices of the German Arab Society.

One of the defendants, Mr Ahmed Hasl, is the brother of Nezar Hindawi, who was jailed for 45 years in London last month after being found guilty of the El Al bomb attempt. Mr Hasl, in contradictory statements to court on Monday, first retracted an earlier confession to police and then said he was guilty after all of the bombing of the society's offices.

However, he refused to confirm his earlier statement to police that explosives had been supplied by the Syrian embassy in East Berlin.

Cypriots in peace pledge

BY ANDRIANA IERODIACONOU IN ATHENS

SENIOR Greek-Cypriot officials said in Athens yesterday that they would continue to work for an international conference on the Cyprus problem—an idea opposed by the US—as the best way of trying to reunite the divided eastern Mediterranean island.

The officials were accompanying Mr Spyros Kyprianou, the Cypriot President who arrived in Athens to brief the Greek Government on the results of a visit to Nicosia 10 days ago by two special UN envoys concerning the Cyprus problem.

The UN officials, who also

travelled to Ankara and Athens, are reported to have informed the Cypriot Government that soundings of Security Council members by the UN Secretary-General, Mr Javier Perez de Cuellar, had revealed that the idea of an international conference on Cyprus was not practicable.

The idea is strongly backed by the Soviet Union. It is opposed by the US on the grounds that an international conference would give Moscow an unwelcome role in the setting of the Cyprus problem.

Industry urges action on Irish public deficits

BY HUGH CARNegie IN DUBLIN

THIS YEAR has been "a year of crisis" for Irish industry and the Government must act quickly to control rising public deficits and debts to restore expansion of output and employment, the Confederation of Irish Industry (CII) said yesterday.

In its submission to the Fine Gael-Labour coalition on the 1987 budget in March, the CII said manufacturing output in 1986 would be no higher than last year, while manufacturing employment was set to fall by about 9,000 from 185,000 between mid-1986 and mid-1987. Meanwhile, manufacturing investment was stagnant.

This situation in large measure reflected the high current budget deficit this year projected at about £1.5bn (€1.4bn) or 8.5 per cent of Gross National Product, and the

total national debt, which at the end of September amounted to the equivalent of 148 per cent of GNP.

The CII recommended cutting the deficit initially by £400m, or 2.5 per cent of GNP, a year over two years, followed by similar measures until the deficit was eliminated. A similar drastic adjustment had been successfully achieved in Denmark since 1982, it said.

The CII's recipe concentrates on public expenditure cuts of more than £500m in the first year of a similar figure but such heavy cuts have always been ducked in the past and are bound to meet resistance in the public sector and from trade unions.

Irish industry suffered badly this year from falling competitiveness caused by the weakness of sterling and the dollar, its major trading currencies, which pushed up domestic interest rates.

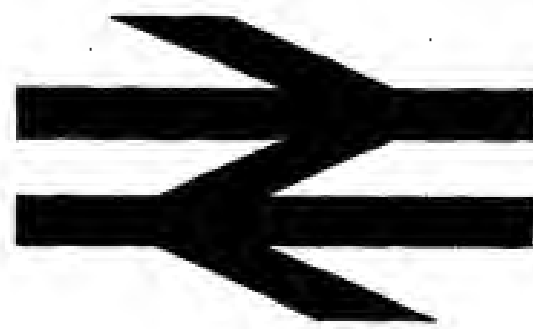
The CII said Ireland should stay in the European Monetary System, despite the difficulties caused by trading heavily in currencies outside it. But companies should be allowed to borrow in European currency units with government guarantees until high interest rates converge once more with European averages.

Other measures recommended by the CII include private investment in state enterprises, cuts in high electricity and telecommunications charges and a one-year suspension of social insurance payments on new employees.

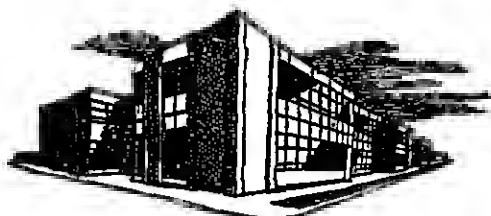


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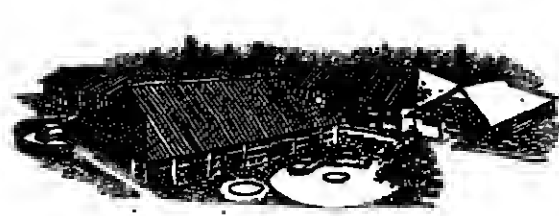
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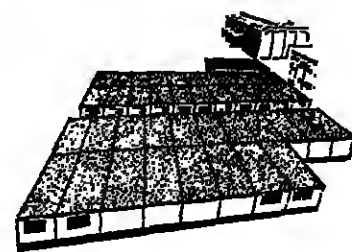
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OVERSEAS NEWS

North Korea leader's reappearance fails to quell speculation

BY STEVEN BUTLER IN SEOUL

THE public appearance of President Kim Il Sung of North Korea at Pyongyang airport yesterday to greet visiting President Zbigniew Brzezinski of Mongolia has failed to quell speculation about events in his rigidly controlled, closed country.

Reports of his death, including the statement on Monday by the South Korean Defence Minister that loudspeaker broadcasts from North Korea had said Mr Kim had been shot and killed aroused speculation that he had been assassinated by dissident factions in the military.

The loudspeaker reports continued until yesterday, the minister said, and later included an announcement that Mr O Jin U, the North Korean Defence Minister, had taken control of the Government, and that a mutiny had taken place in an unnamed North Korean army unit.

Analysis of North Korean affairs continued to be puzzled by the broadcasts, apparently aimed at the South and clearly at variance from North Korean radio news broadcasts, which claimed that all was normal in Pyongyang.

No independent confirmation of the loudspeaker broadcasts was available from US military officials on the demilitarised zone between the two Koreas. Despite North Korean accus-

tions of deceit, it is generally accepted in Seoul that the South Koreans accurately reported the contents of the broadcasts, leaving two possible explanations: that the broadcasts are the result of a severe power struggle involving the North Korean military, or that they are part of an elaborate disinformation campaign.

Speculation of trouble within the military has been fuelled by the failure of Mr O Jin U, to appear at recent public functions.

Diplomats are suspicious of this theory, however, because of the lack of any prior evidence that a serious problem had emerged within the North Korean leadership. It is also unclear how the broadcasts could be linked with any power struggle.

The incident has already seriously undermined the international credibility of the South Korean Government, because although rumours of President Kim's assassination appeared in Japan at the weekend and had been reported in Seoul, it was the official statement of the South Korean Defence Minister which created international interest.

Despite the restrained tone of the South Korean statements, Seoul's ability to interpret accurately intelligence from North Korea is now in question.

Japanese machine tool industry may seek aid

BY IAN RODGER IN TOKYO

JAPAN'S machine tool industry, which had record turnover and profits last year, is about to apply for government aid with restructuring.

The industry's sales and profits have been hard hit this year by the rise of the yen. For example, Okuma Machinery Works, one of the leading producers, recently reported a 6 per cent drop in sales and a 63.5 per cent drop in profit in the six months to September 30.

The outlook is worse. The industry, under the threat of protectionist legislation in the

US, has just agreed to reduce its shipments to the US of machining centres, numerically controlled (NC) lathes and four other types of machines to 1981 levels.

This will mean significant cutbacks. The industry exported more than a third of its ¥1,008bn (£43bn) output last year, and about half of its exports went to the US. Japanese producers' share of the US market for machining centres and NC lathes has grown from 50 per cent to about 75 per cent since 1981.

Amnesty says Soviet officials see torture

By Our Foreign Staff

SOVIET officials are often present during torture sessions in Afghanistan, according to evidence from former prisoners which is contained in an Amnesty International report published today.

The report, says political prisoners are still being regularly tortured by Afghan security forces. Methods used include beatings, electric shocks to sensitive parts of the body, being burnt with cigarettes and hair being torn from the scalp.

Amnesty says that many former prisoners say that Soviet officials are present during the torture and often participate in or direct the interrogation, but leave the application of torture to the Afghans. One prisoner is quoted saying that Soviet officials gave orders for him to be subjected to repeated electric shocks.

Amnesty details the widespread arrest of government officials, teachers, businessmen and students, including many women. Some are said to have resorted to violence in opposing the Government; others have been arrested merely on suspicion of contact with the armed opposition.

The testimony of many former detainees reveals a "pattern of torture and other ill treatment of prisoners," it says, with widespread violations of international law and Afghan law taking place in government interrogation centres, both in Kabul and in provincial cities, as well as in prisons and military posts.

The report says many detainees remain in custody for several months without access to family or lawyers and are later released without being charged or tried. Others are tried in special revolutionary courts with no access to defence counsel, and without being allowed to call witnesses.

Amnesty has written repeatedly to the Afghan Government to voice its concern over torture and other human rights violations; *Afghanistan: torture of political prisoners. £2.50. Amnesty International, 5 Roberts Place, London EC1R 0EJ.

Build-up in conflict throughout Afghanistan

By Mohammad Afshar in Islamabad

HEAVY FIGHTING was reported from three key areas of Afghanistan, between anti-Communist guerrillas and the Afghan regime and Soviet troops, Western diplomats said in Islamabad yesterday.

Kandahar, Tashir and Baghlan were the areas where the fighting was concentrated, the sources said.

The guerrillas have suffered heavy casualties along with civilians at Peshawar in the south-eastern province of Kandahar as a result of extensive bombing. Afghan government troops suffered 270 dead, including five officers. The losses include 150 dead at Panjwai and Argandah last week. Another 120 troops were killed at Peshawar five days ago. A total of seven Soviet helicopter gunships were shot down by the guerrillas, two of them with missiles.

Western diplomats said several thousand troops were engaged in fighting at Takhar, north of Kabul, between November 3 and 9.

Some of the heaviest fighting took place in the villages of Rustaq and Nowabad, and there were "many casualties" on both sides. Two Soviet bases at Nowabad and Rustaq were also destroyed by the guerrillas.

Most of the 120 troops at a military post at Nur in Baghlan province, north-west of Kabul, were reportedly killed on the night of November 12 when the guerrillas overran the post.

Several Soviet soldiers were killed at Klutan on November 7 in the same province.

Soviet and Afghan forces have launched major attacks against the Moslem guerrillas throughout Afghanistan, and Western diplomatic sources said reports from Afghanistan described heavy fighting in the north, south and east of the country, AP reports from Islamabad.

The report said that thousands of Soviet and Afghan government soldiers, backed by tanks and large formations of aircraft, had been attacking guerrilla positions.

Some of the heaviest fighting was in the south-east city of Kandahar where guerrilla fighters and Soviet troops have been locked in street battles and where many civilians have been killed in bombardments and air raids, the sources said.

South African car plant strike ends after company ultimatum

BY ANTHONY ROBINSON IN JOHANNESBURG

THE STRIKE at General Motors plants in Port Elizabeth, South Africa, ended yesterday as more than 80 per cent of the 2,400 workforce returned to work in the face of a company ultimatum which expired at 9am.

The 219 workers who decided to continue the strike have been dismissed although 80 of the 565 workers dismissed earlier for taking part in an illegal sit-in have been re-employed and re-instatement applications for another 350 are being processed, the company said.

The strike, which began on Octo-

ber 29 and lasted 13 working days, was fought over union demands for severance pay and other claims arising out of GM's disinvestment and management buy-out.

The union's bargaining hand was undermined by the presence of thousands of unemployed car workers in the area following the closure of Ford assembly plants last year and widespread layoffs in component plants.

The company has told the National Union of Automobile and Allied Workers that it will not re-employ strikers who were proven to have

taken part in acts of violence or intimidation.

At least 80 of the several hundred job seekers who thronged the gates seeking employment during the strike have been employed, but the total numbers will depend on the number of dismissed strikers re-engaged.

Costs of the strike are still being calculated, but apart from 13 days' lost production the strike also caused a two-month delay in the planned launch of the Opel Monza model which will now take place in January.

Reserve Bank switches US deposits to Europe

BY OUR JOHANNESBURG CORRESPONDENT

THE SOUTH AFRICAN Reserve Bank has closed its commercial bank accounts in the US and switched foreign currency deposits to European banks in response to the US comprehensive anti-apartheid act which came into effect on November 12.

This follows similar precautionary moves by South African commercial banks which are not affected by the law prohibiting US deposit-taking institutions from holding or receiving deposits for the South African Government or any of its agencies.

Commercial banks are believed to have moved up to \$500m out of

the US into dollar accounts with UK and European banks in recent weeks.

Confirming the Reserve Bank's move, Governor Gerhard De Kock said that the homework on alternative arrangements was done during the International Monetary Fund meeting in Washington in September and put into effect following the Congressional overthrow of President Ronald Reagan's veto.

The Reserve Bank has not taken steps to switch its deposits with the US Federal Reserve Bank. These appear to be unaffected by the sanctions legislation.

'Anti-Yank' warning to US envoy

MR EDWARD PERKINS, the first black US ambassador to South Africa, arrived yesterday to take up his post, Bantu reports from Johannesburg.

The pro-Government Citizen newspaper greeted Mr Perkins with an editorial warning that "anti-Yank feeling" was growing in South Africa.

Mr Perkins, a career Foreign Service officer who most recently was US ambassador to Liberia, was sworn in nearly two weeks ago as ambassador to Pretoria.

Mr George Shibi, US Secretary of State, told Mr Perkins at the Washington ceremony that his task was to help bring South Africans together to negotiate a truly democratic state.

"Americans should know that South Africans are... quite capable of ordering their own affairs without US interference and will close ranks in the face of sanctions and other attempts to crush them," the Johannesburg-based Citizen said.

Last month, the US Congress adopted tough economic sanctions intended to pressure Pretoria to abandon its apartheid system. The paper said that, following the imposition of the sanctions, relations were at their worst since the days of former President Jimmy Carter.

"Go Home Yanks" will become a more persistent cry unless the Yanks leave us alone to get on with reform in our own way, which is the only way that matters," the newspaper added.

Leader of troubled black enclave dies

CHIEF MINISTER Simon Skosana, who dropped plans to accept independence for the South African homeland of KwaZulu, died after scores of people died in violence this year, has died in a long illness, AP reports from Johannesburg.

Mr Klaas Msweni, the Minister of Works and Water Affairs, has been appointed acting Chief Minister.

Many people were killed in fighting in KwaZulu, a poor and overcrowded enclave of 232,000 blacks north-east of Pretoria, over Mr Skosana's plan to accept independence from South Africa on December 11, in August, shortly after a key

side of Mr Skosana was killed in a car-bomb explosion, the homeland legislative assembly reversed its decision and decided against independence.

Last week, two principal foes of independence, Prince James Mahlangu and Prince Andries Mahlangu, were detained by homeland police. That prompted speculation that KwaZulu officials were re-considering whether to become the fifth homeland to accept independence from South Africa.

However, the South African Press Association quoted South African officials as saying there were no plans to go ahead with independence.

N. Zealand committed to new labour laws

By Chris Sherwell in Perth

MR BOGER DOUGLAS, New Zealand's reformist Finance Minister, yesterday reaffirmed his Government's plan of introducing new industrial relations legislation by the end of the year.

The commitment, made at his international symposium in Perth, represents the most major step in a series of reforms which have already begun deregulating New Zealand's financial, bank, agriculture and manufacturing sectors.

But it came as a surprise, he said, to hear the Government announce that it would move to restrict industrial relations laws, which aim to remove labour's rights in both the private and public sectors.

The public sector element of the plan is expected to include the idea of "cash benefits" to meet with pay claims. The discussion paper on the proposal was only released last month, suggesting that the Government's timetable for legislation is short.

Mr Douglas said yesterday it was essential that greater industrial relations flexibility be introduced in both private and public sectors. At present, the system was too rigid to ensure the workforce played a part in economic recovery.

In the economic restructuring now taking place, he said, wage settlements had to reflect changing demand patterns for labour in order to encourage job shifts out of areas of declining profitability.

Tanker attacked

A LIBERIAN-registered tanker was set on fire in a missile attack in the southern part of the Gulf on Monday night, but the fire had been almost extinguished early yesterday, Japanese shipping sources said, Bantu reports from Tokyo.

The fire on the 37,000-ton Crown Hope was brought under control by four tugs, the sources said. The 26 crew, who escaped on board a rescue tug, have been returned to the ship, which is now anchored and unable to sail, they said.

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CONSOLIDATED ASSETS AT 31 DECEMBER 1981
 EXCEED US\$69 BILLION.

Shultz struggles to regain control of foreign policy

BY LIONEL BARBER

MR GEORGE SHULTZ, US Secretary of State, is struggling to reassert his authority over foreign policy in the wake of the Iran controversy.

Mr Shultz, who hinted that he might resign during an extraordinary television interview at the weekend, appears to have persuaded President Reagan to back him in his firm stand against sending arms to Iran.

But senior aides to Mr Shultz were reported yesterday as saying that Mr Reagan's new conference today—his first for three months—would test whether Mr Shultz had succeeded in defining the terms on which he is prepared to stay in the Government.

Speaking in Chicago on Monday, Mr Shultz continued to spell out his unease about the covert White House operation and his opposition to bartering arms for hostages.

Mr Shultz said: "It is a mistake for governments to get in the business of trading something of genuine importance for hostages... All you do is the encouraging of taking of

more hostages." Mr Shultz said he could not speak for the Administration on the question of arms shipments which he described as "debatable."

Mr Shultz is recognised in Washington as a team player loyal to the President, but he has also made it a matter of principle to build a credible anti-terrorist policy with US allies in Europe. This policy appears to have been undermined by the arms shipments to Iran, a state which Mr Shultz identifies as sponsoring terrorism.

More evidence emerged yesterday that Mr Reagan has failed to persuade Americans that there is no link between the arms supplies and the freeing of American hostages held by pro-Iranian groups in Lebanon.

A poll by the Los Angeles Times showed that only one in five of those questioned believed that President Reagan's statements were "essentially true." Thirty per cent of the 1,480 people interviewed after the President's nationwide TV address last Thursday, said his denial of a hostage deal was "essentially false."

Cannabis shortage brings new high for the humble ditchweed plant

A YEAR AGO, wild ditchweed was not exactly the world's most valued trading commodity. Today, observers in the American rural mid-west report bundles of the plant, a distant member of the cannabis family, selling for as much as \$60 a pound, writes David Owen in Chicago.

The soaring ditchweed price is one of the more unexpected consequences of the success of the US Government's drug eradication programme. The campaign has severely squeezed cannabis supplies in parts of the 10,000-tonnes-per-year US market.

Drug Enforcement Administration (DEA) officials have destroyed millions of ditchweed plants as part of the anti-drug initiative. This has had the effect of creating a ditchweed shortage and pushing prices still higher.

Ditchweed typically contains less than 1.12th the chemical which produces the smoker's "high" of a good quality Sinsemilla plant. It has some value among unscrupulous cannabis vendors who mix it with pure marijuana to boost further their big profit margins.

places such as Colombia and Belize has also had an impact on the cannabis price. Drug investigation officials say the shortage has pushed wholesale marijuana prices in Chicago and other big cities to \$3,000 per pound, compared with \$85 to \$1,200 a year ago.

In Illinois alone, 296 sites have been eradicated this year and officials are congratulating themselves on reducing both the number and size of the plots cultivated. A number of predominantly southern Illinois farmers, who were presumably looking for a more lucrative cash crop in response to plummeting maize and soybean prices, has been arrested.

Ford and GM cut car output in fourth quarter

AMERICA'S two largest car-makers plan to cut fourth-quarter output, AP reports from Detroit.

General Motors blamed the cut on slack demand following the end of bargain-basement financing deals on new cars. Ford said its cuts were because it could not get enough components to meet demand for its cars.

Automotive News, an industry journal, had estimated GM and Ford would each cut production schedules by 8 per cent. Mr Roger Smith, GM chairman, said production would be "somewhat less" than estimated.

"We're still optimistic," he said. "It is going to be a good year, but we've also said we would do it without incentives." GM's fourth-quarter production schedule will be 1.04m cars, down from the September estimate of 1.13m. Automotive

News said Ford's fourth-quarter schedule will total 480,000, down from a September estimate of 465,000. Chrysler's production schedule is reported unchanged at 298,500.

It was also revealed that the operating rate of US industry fell in October to the lowest level since 1983. Mining activity hit an all-time low and US manufacturers continued to suffer from foreign competition, the Government said.

The Federal Reserve Board said US factories, mines and utilities operated at 79 per cent of capacity last month, after holding at 78.2 per cent from July through September.

In a separate report, the Government said the level of business inventories fell 0.3 per cent in September, a somewhat smaller decline than had been expected given strong car sales that month.

Brazil's poll victors seek share of power

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil yesterday postponed talks with senior ministers and instead called in Mr Ulysses Guimarães, leader of the Brazilian Democratic Movement (PMDB) for discussions on a new economic adjustment package.

The move demonstrates the greatly enhanced influence that the PMDB is certain to exert on the Government following its landslide victory in gubernatorial and congressional elections at the weekend.

Commentators are already speculating that the centre-left party will attempt to assure that the new package has minimal impact on the improved living standards achieved since February under the Government's anti-inflationary Cruzado plan.

With votes still being counted and the new Congress designated the task of writing a new constitution, the elections have

left a legal vacuum in Brazil. President Sarney, who inherited the office of head of state on the death of Tancredo Neves last year, has made it clear that he will not change his ministerial team.

But some PMDB militants are already arguing that the party should have greater pre-eminence in its government as a result of its victories over their coalition partners, the right of centre Liberal Front (PFL).

In many states, the PMDB and PFL supported joint candidates. But in others, most notably the north-east, contests between the two led to substantial PMDB gains.

Ironically, many have attributed the new muscle of the PMDB to prestige reflected from President Sarney's economic strategy. Its consequence, however, will be to tie, to some extent, the president's hands.

Mr Guimarães, the PMDB president, assured Mr Sarney that he had no need to fear the consequences of a massive victory by his party. "We are partners of the president of the republic," he said.

Nevertheless, the near certainty that the PMDB will now have a clear majority in both Houses of Congress and, perhaps, 21 of the 23 state governorships, has handed Mr Guimarães substantial power.

His assurance that the party was satisfied with the Government's economic and social policies will come as little comfort to civil servants now struggling to find ways to adjust the Cruzado plan to relieve serious inflationary pressures in the economy.

Most businessmen and economists believe that efforts to reduce surging demand, and to generate finance for investment, will have to involve some austerity measures, relaxation

of the price freeze, cuts in government spending and, possibly, higher taxes.

Such moves will prove hard to swallow for a party that has won much of its electoral success from commitments to fight to support the plan.

Formal discussions on the new constitution are not due to begin until February and look certain to continue for most of the year. In the meantime, President Sarney will continue to take the legislative initiatives and may, if necessary, be obliged to use his decree powers.

Though he has publicly declared himself opposed to using decrees, the method has repeatedly proved necessary, particularly in the economic field, to push policies rapidly through Congress. At the very least, he will feel under a measure of moral obligation to consult closely with the PMDB leadership. Yesterday that process began.

FALKLAND ISLANDS DISPUTE

Argentina plays its trump card

JUST AFTER the surrender of the 18,000-strong Argentine garrison on the Falkland Islands in June, 1982, Britain was asked by its EEC partners whether fighting on the islands was over.

Mr Leo Tindemans, then Belgian Foreign Minister, who posed the question, was politely told that he should ask Buenos Aires.

The answer has been a long time coming. This week, almost four and a-half years later, Argentina has made the first firm indication that the anomalous situation of no war, no peace, might finally be brought to an end.

The offer formally to end hostilities in exchange for Britain lifting the 150-mile military protection zone around the islands, is being made to try to tempt the UK to the negotiating table to discuss the sovereignty issue.

It follows Britain's move to create a 150-mile fisheries conservation zone around the islands and to lay claim to the fish and seabed resources up to 200 miles away.

The protection zone was created after the 1982 war, when it became apparent that Argentina's then military Government had no intention of formally ending hostilities.

Even today, many prominent figures in the armed forces, as well as the nationalist opposition to President Alfonsín's government, consider the 1982 war simply as a lost individual battle.

The situation of no war, no peace, therefore, locks Britain into a multimillion-pound annual defence commitment to the islands and has been a continual source of tension souring relations between the two countries.

The UN General Assembly passed a resolution in November, 1985, implicitly recommending negotiations over the sovereignty of the islands by 107 votes in favour, 41 abstentions and only four against.

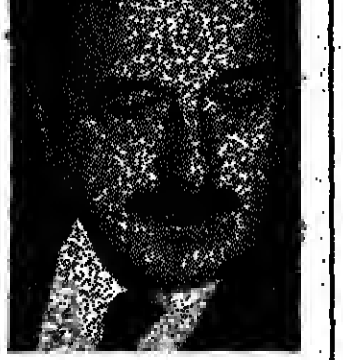
Argentina's target is to swing as many of the fence-sitters as possible over to a positive vote. A show of willingness to end hostilities is an obvious way to do that.

In the past, Argentina has always insisted that only when Britain agrees to negotiate the sovereignty will hostilities be formally stopped. According to

a senior official in the Argentine Foreign Ministry, the intention behind the proposal is to make a gesture of good will, constantly demanded by the UK, to break the deadlock on future talks. As a result, negotiations on the sovereignty issue are no longer a precondition to ending hostilities," he said.

The initial reaction from the UK Government has been to play down the Argentine offer, saying it adds nothing to previous proposals.

In another less-publicised, but equally significant move, however, the lower house of the Argentinean Congress recently passed a bill to create a self-governing province out of



President Alfonsín's courageous move

Argentina's southernmost territory of Tierra del Fuego. This will put it on an equal footing with Argentina's other 23 provinces, in a country where regional government wields considerable power.

Resisting pressure from the Nationalist lobby, the ruling Radical Party successfully kept the Falkland Islands out of the bill, thereby leaving options open.

One such option might be to offer the Falkland Islanders a large degree of autonomous self-government, but coming under formal Argentine sovereignty.

Argentina still intends any formal negotiations to include the sovereignty issue, and Britain's approach seems likely to come under increasing pressure both at home and abroad if Argentina's offer is seen to be genuine, not just a ploy to convince the UN.

The Argentine Government has thus played its trump card somewhat uncertainly, and much earlier than most political observers expected. It remains to be seen whether the British Government has one to match it. A refusal to explore the offer may suggest that it has not.

UK launches attack on 'megaphone' diplomacy

BY JIMMY BURNS

PROSPECTS that the Argentine announcement could break the current deadlock over the Falklands appeared to be crumbling yesterday with both sides drawing up diplomatic battle lines on the issue of sovereignty.

Confusion about the Argentine linkage of a declaration of a cessation of hostilities to the issue of sovereignty was matched yesterday with an intransigent statement from the British Foreign Office.

Mr Tim Eggar, Junior

Foreign Office Minister yesterday described the Argentine offer as an "exercise in megaphone diplomacy." He claimed that the British Government had found out about the Argentine offer by reading it in the press.

"That's not really the way to get serious negotiations and serious discussions going. It is really a re-statement of the normal (Argentine) position which is that anything can be discussed as long as we discuss sovereignty first," Mr Eggar said in an interview with Independent Radio News.

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WORLD TRADE NEWS

Foreign investment in China suffers decline of 42%

BY ROBERT THOMSON IN PEKING

FOREIGN investment in China has continued to decline with contracted investment for the first nine months of this year totalling \$2.4bn (£1.6bn)—down 42 per cent on the same period last year, according to the Ministry of Foreign Economic Relations and Trade (Mofert).

Zheng Tuobin, Trade Minister, said there were two reasons for the fall this year: a shortage of foreign exchange in China that has limited the ability of Chinese partners to contract, and an investment climate clouded by the high cost of doing business in the country.

Zheng hopes that 22 incentives introduced last month will lift investment, though foreign business people based in Peking have suggested that the new regulations will not be enough to reverse the decline.

Contracted investment for the first six months of this year was down 20 per cent on the first half of 1985.

Chinese officials have always quoted contracted investment as a sign of the success of the "Open Door" policy, but Zheng attempted to shift attention away from the contract slump by suggesting that funds actually used in the first nine

months total \$4bn, an 11 per cent increase on last year.

The increase in actual funds used is mostly an overflow from contracts previously signed. Since 1979, about \$17.4bn in investment has been promised, though only about a quarter of that amount has actually been invested.

"Generally speaking, we will continue to try to improve the investment climate," Zheng said. "China is a developing country and we need to utilise foreign capital." China's trade deficit would be well below the \$8.4bn recorded last year by his ministry, he added. The Chinese customs bureau said the 1985 deficit was \$14.7bn.

Siemens rail deal stirs up political furore in US

BY PETER BRUCE IN BONN

FOR MOST of this year a modest \$24.5m (£17.5m) contract to supply 26 cars to an urban light rail project in Sacramento, California has been making unwelcome headlines in the local press.

Unwelcome, that is, for Siemens, the West German electricals group, which signed the deal to supply the cars in February 1984, beating the Canadian Urban Transportation Development Corporation (UTDC) by a wide margin.

Siemens nevertheless had a good track record in supplying these powered cars in North America, having won similar contracts in Calgary, Edmonton, and San Diego.

This time though, the deal has gone wrong and what began as a tiny sore has developed into a major political wound

that could jeopardise Siemens' far more important efforts to establish itself in the coming US market for digital telephone switching equipment.

On September 28 1985 the Federal agency, the Urban Mass Transportation Administration (UMTA) had signed an agreement with the Sacramento Regional Transit (RT) to help fund the construction of a modern tram system in Sacramento—automatically triggering the "Buy America" provisions of the Surface Transportation Assistance Act of 1982.

This meant that more than half the cost of the cars had to be accounted for by components manufactured in the US.

On March 3 this year, however, the UMTA's chief legal counsel wrote to the Sacramento authorities to tell them that, in

its view (and in this case nothing else counted) "Siemens falls substantially below the requirement that 50 per cent of the components, by cost, be of domestic origin."

"Therefore it is our determination that Siemens is not in compliance with the 'Buy America' requirements applicable to the procurement of rolling stock."

By then, Siemens had built 15 of the cars in West Germany and assembled them in the US. It offered compromise solutions but the UMTA would not budge.

Siemens risked being debarred from future public transport contracts where Federal funds were involved.

Sacramento faced having to find an extra \$11m (the money promised for the trucks by the UMTA and now threatened) and

its credit rating came under a brief cloud.

Then, quite suddenly last summer the UMTA appeared to have a change of heart that has aroused anger in Congress.

An Administrative Settlement Agreement, a compromise, was drawn up in which Siemens and the RT admitted violation of the "Buy America" laws but which enabled the contract to go ahead provided the remaining 11 cars were built in the US.

They will be produced by Hall Industries—according to a draft dated October 14 and unlikely to be significantly changed before signing—which has facilities to do so in Pennsylvania.

Siemens, which said yesterday that "we assume that through the compromise with the UMTA the accusations

against us will be cleared away," also had to agree to much tighter Federal supervision of any current and future contracts funded by the UMTA.

It has also told the US authorities that a major light rail car order being chased in Taiwan by Siemens, MAN and Thyssen could result in a lot of manufacturing in the US.

None of this has satisfied two senior Congressmen who have written to the Department of Transport to protest at the proposed compromise.

Both have promised to pursue the matter next year when the new Democrat-led and probably more protectionist Congress reconvenes.

Siemens, although probably richer than its competitors in the US telecommunications

market, could do without this. The race between it and American Telephone and Telegraph (AT&T) to buy control of the second biggest French telephone company, CGCT, has become dangerously political.

Bonn and Washington are now openly pushing their national candidates in France and a Siemens victory might find a poor echo in a Congress already familiar with the name because of the Sacramento affair.

Luckily for Siemens, the Congressmen involved are probably just as angry with the Administration for agreeing to the compromise as they are with the West Germans.

This might help deflect the Congressional attacks on the deal being prepared for next year.

Europe's distillers step up Japan protest

BY QUENTIN PEEL IN BRUSSELS

EUROPE'S WHISKY and spirits manufacturers yesterday stepped up their propaganda battle against discriminatory Japanese taxes and import duties, which they claim have priced their products out of a huge growth market.

They are appealing to the Japanese sense of honour to scrap the present system, which makes Scotch whisky up to four

times more expensive than domestic brands.

Leaders of the Union Européenne des Alcool, Eau-de-Vie et Spiritueux—an organisation which embraces the whole range of powerful liquor manufacturers in the EEC—spelt out their complaints in Brussels, after the return of a top-level delegation to Japan.

They called on the two Japanese committees studying

tax reform—the government's tax commission, and the ruling Liberal Democratic Party's own tax commission—to include changes in the alcohol tax structure in their recommendations due next month.

The whole issue has now been submitted to the General Agreement on Tariffs and Trade (GATT) by the EEC as a test case, on the grounds that imported wines and spirits suffer

unfair tariffs and taxes in relation to domestic products.

However, the manufacturers are anxious that their case should be taken into account by the imminent committee reports, and renewed their appeal for urgent consideration.

Imported alcoholic drinks accounted for less than 1 per cent of the Japanese market, leaving a huge potential unrealised.

INDONESIA BREAKS LNG RECORDS

Jakarta reverses its gas export fortunes

BY JAMES BALL

INDONESIA has bought about a dramatic reversal in its gas exporting fortunes, by shifting its negotiating stance earlier this autumn.

As a result, its gas will arrive in three new countries, not to mention scoring extra opportunities in the traditional Japanese market.

Already the world's largest exporter of liquefied natural gas (LNG), Indonesia has just sent the initial cargo to South Korea, the Pacific's first LNG importing country outside Japan.

It has also just agreed a sales deal with Taiwan paving the way for first deliveries in the early 1990s. But, substantial as these achievements are, they only open the list of new records Indonesia is entering in the LNG record book. For, later this year, it is likely to send a spot cargo of LNG to the US.

The spot cargo of LNG which the French oil company CEF Total has arranged to travel from Bontang, Indonesia, to the Everett terminal in Boston in the north-east US is only the second spot LNG sale of the 1980s.

The first went from Algeria to Britain's Canvey Island in 1982.

If the final approval is given to this LNG deal, Total will buy 40,000 tonnes of LNG and carry it in 12,000 "icebergs" and sell it to Cefco of Boston, the LNG heir to Distrigas.

The Indonesian cargo will also be:

- The longest-ever LNG voyage, breaking a record which has stood at 10,000 nautical miles since 1970.
- The first LNG cargo sold to the US by another country besides Algeria.
- The first spot sale to originate in Indonesia.
- One of a very few if not the first LNG cargo ever to be sold through an intermediary rather than directly to the buyer from the LNG producer.

Unlike the oil or coal business, LNG is a closed club, making spot deals unusual and difficult to arrange. By its nature, the LNG business is a dedicated trade. Due to the huge investment involved, the buyers and sellers on a particular route are locked into

Pertamina tried to avoid dropping the price of its LNG to Japan, despite the collapse in oil prices to which LNG is meant to be linked.

Already squeezed by falling oil revenues, it tried to raise its oil price to offset its LNG income. Its hard line, however, precluded taking advantage of any new LNG marketing opportunities in Japan, threatened to delay the start-up of its new trade to South Korea, and led to a suspension of sales talks to Taiwan.

Pertamina changed its stance at the end of the summer and agreed to seek a new way of indexing Japanese LNG prices closer to market prices of crude oil.

In September, it agreed to lower South Korea's price provisionally to an oil price equivalent of \$10 a barrel (a 25

Later this year, Indonesia is likely to send a spot cargo of LNG to the US—the longest-ever LNG voyage and the first sold to the US by another country besides Algeria.

Pyeong Taek, Korea LNG prices of about \$2.20/m British thermal units (Btu) against a Japanese price based on \$15.60/barrel).

The first Korean cargo left Arun, Indonesia, on October 21, and has now unloaded. The message was clear, Indonesia wanted to play the market.

Following further recent progress in the LNG pricing talks between Pertamina and the Japanese LNG buyers, price settlements have also been reached with South Korea and Taiwan.

This was the final item Taiwan and Indonesia had to negotiate. Their LNG contract is thus substantially agreed and after final drafting will probably be signed in early 1987.

At the same time, Pertamina's Pacific talks were progressing. Total, a minority gas supplier to Bontang, was scouring the US market for sales opportunities for spot cargoes of Indonesian LNG.

The more gas Indonesia sells the more revenue the gas supplies, including Total, make. Seeing a 1m tonne a year spare LNG capacity at Bontang and under-utilised LNG storage in the US, Total tried to find a way to put them together.

Distrigas Corp of Boston, already under Chapter 11 US Bankruptcy Code protection, was finding it impossible to make a spot arrangement with its traditional supplier, Sumitrich of Algeria.

It also found that US shipping restrictions made bringing LNG from the sole US export terminal, Nikiski in Alaska uneconomic.

Before the deal produced its first real LNG, however, Distrigas Corp was put into compulsory liquidation under Chapter 7. But the judge transferred Total's contract from Distrigas Corporation to the Cabot Corporation subsidiary Cefco.

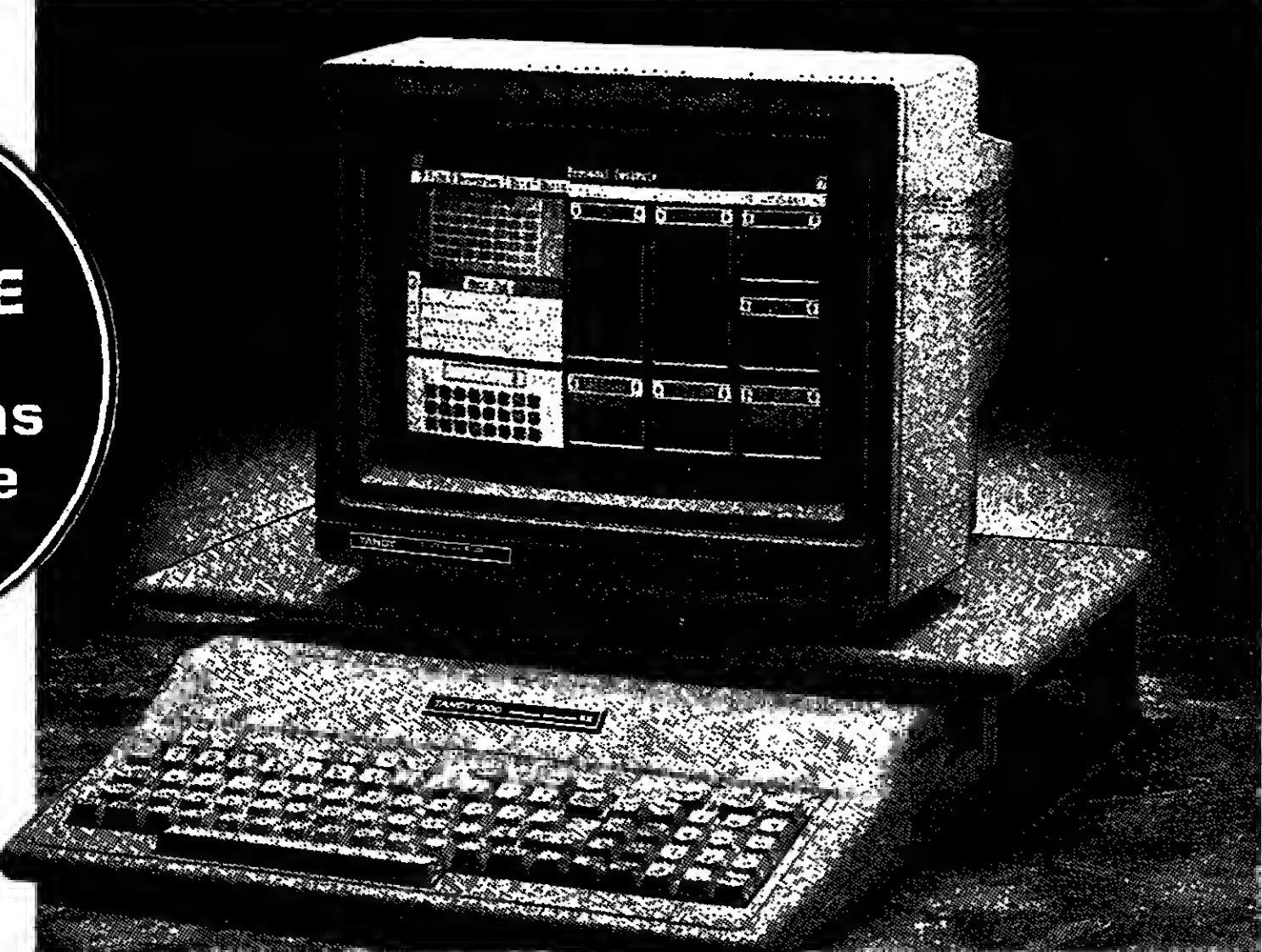
To complete the link, the idle P&O LNG carrier Pollenier was sitting in Europe, awaiting January delivery to its new owner, Japan's Nissho Iwai.

Now, as it turns out, P&O will open the Pollenier's new Indonesian route, and the ship will travel first to the US rather than Japan.

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More trade bills ahead say US Congressmen

THE US Congress will propose new legislation next year to curb imports in a move to cut the country's huge trade deficit and protect jobs, a Congressional delegation said in Hong Kong yesterday, Reuter reports.

The visiting congressmen did not say what bills were likely, but they said the US could not sustain a trade deficit that topped \$127bn (£88bn) in the first nine months of this year.

There is going to be legislation on this year," said Mr Donald Kowski, chairman of the powerful House Ways and Means Committee. "We are here to alert this end of the world that it is coming."

FT COMMERCIAL LAW REPORTS

Consultant's tax avoidance scheme fails

INLAND REVENUE COMMISSIONERS v BRACKETT
Chancery Division:
Mr Justice Hoffmann

WHERE A UK resident contracts with a non-resident company to provide consultancy services to its clients in the UK, income received by the company from exploitation of his services and from which he benefits is deemed to be his income for tax purposes, unless he can show that tax avoidance was not a purpose of the transaction.

Mr Justice Hoffmann so held when allowing an appeal by the Inland Revenue from a decision of the Special Commissioners discharging assessments for income tax made on Mr Frederick John Hughes Brackett under section 478 of the Income and Corporation Taxes Act 1970. An appeal by Mr Brackett against their decision upholding alternative assessments to corporation tax under section 79 of the Taxes Management Act 1970 was dismissed on the footing that the Revenue would take no further action under those assessments.

HIS LORDSHIP said that Mr Brackett was a chartered surveyor. He retired in 1970 but continued to act as a consultant.

In 1972 he was asked to advise Banker's Trust International (BTI) on a proposed property development in Jersey, for which he would receive a share in the profits. He set up machinery for dealing with offshore income, namely a Jersey company called Drishane Investments, held by a Jersey trust.

Completion of those arrangements was followed by the collapse of the property market and BTI did not proceed with the development. Mr Brackett found himself prospectively in financial difficulty. He was concerned about the future needs of his wife and children. His UK assets consisted principally of domestic property which had become very difficult to sell.

In consequence, in 1974 or 1975, Mr Brackett entered into a contract of employment with Drishane to enable it to provide business consultancy services. He agreed to serve in that capacity until July 1984. He would draw no salary until July 1979, and would thereafter be paid what the directors considered the company could afford.

It was agreed that Drishane would assist Mr Brackett to realise his assets, to provide him with some cash in the period before July 1979.

Pursuant to those arrangements Mr Brackett referred potential clients for consultancy services to Drishane in Jersey,

and the contracts for provision of such services were made with Drishane in Jersey. Mr Brackett rendered the services in England and advised Drishane how much to charge. Invoices were rendered and expenses paid by Drishane.

When Mr Brackett undertook employment, Drishane assisted him in the realisation of assets. In June 1975 it bought his Islington property, spent money on it and sold it. In December 1975 Drishane agreed to buy his Barnet property for £35,000, payable by quarterly instalments with completion deferred for five years.

In addition to those transactions, which placed cash at Mr Brackett's disposal, Drishane entered into dealings with the trustees of an English trust which he had made for his wife's benefit. They involved the purchase of assets for cash.

The Revenue responded to those transactions by raising assessments on Mr Brackett for the four tax years 1975 to 1978. All the assessments were appealed to the Special Commissioners.

Assessments under anti-avoidance provision, section 478 of the Income and Corporation Taxes Act 1970, were discharged. The Revenue now appealed. Assessments under section 79 of the Taxes Management Act 1970, to corporation tax as the "branch or agent of a non-resident company," were upheld. Mr Brackett appealed.

Section 478 was designed to counter the avoidance of tax by transfer of assets abroad. The first requirement for its application was that there should be "transfers of assets . . . in consequence whereof . . . income becomes payable to persons resident . . . out of the UK."

"The second requirement was that an individual who made the transfer, alone or in conjunction with 'associated operations,' should have 'power to enjoy . . . any income of a person resident . . . out of the UK, which, if it were received by him in the UK would be chargeable to income tax.'"

If those two requirements were satisfied and the taxpayer was unable to show that avoiding tax was not a purpose of the transfer, income payable to the non-resident was deemed to be the income of the individual who made the transfer.

The Special Commissioners held that Mr Brackett failed to show that tax avoidance was not a purpose of the transactions; but they discharged the assessments because they considered there had been no transfer of an asset by Mr

Brackett to Drishane and that in any event no income had in consequence become payable to Drishane.

Section 488(8)(b) gave an extended meaning to "assets" which included "property or rights of any kind," and to "transfer" which "in relation to rights includes the creation of those rights."

The Revenue submitted that by entering into the contract of employment, Mr Brackett created rights vested in Drishane and that by virtue of those rights together with the associated operation of carrying on trade as a business consultant, income became payable to Drishane.

The Special Commissioners rejected that argument on three grounds. First, they said Mr Brackett's earning capacity was not an asset in respect of which rights could be transferred to or created in favour of Drishane. That suggested that the "rights of any kind" which would constitute assets under section 478(8) must be rights in rem over other assets.

There was no basis for that restrictive interpretation. The Special Commissioners rightly found that the contract of employment conferred on Drishane enforceable rights against Mr Brackett. *O'Brien (1972) 53 TC 241* showed that such rights could be assets for the purposes of a disposal under the capital gains legislation.

Secondly, the Special Commissioners said the rights acquired by Drishane were not created by Mr Brackett because they came into existence under a contract to which he was only one party.

That too was an unduly restrictive construction. In the context of section 478 and in particular the extended meaning of "assets" in subsection (8), it was appropriate to describe the rights of one party as having been created by the other.

Thirdly, the Special Commissioners said the contract did not result in income in the sense of profits or gains of the trade of business consultancy becoming payable to Drishane within the meaning of section 478. All that became payable were the receipts of trade.

In *Ladika (1963) 25 TC 107* the House of Lords rejected the submission that it was not conceptually possible for anything other than the receipts of trade, as opposed to profits, to become "payable" to the trader.

His Lordship disagreed with each of the reasons given by the Special Commissioners for saying there was no transfer of assets to Drishane and that no

income thereby became payable.

Section 478 was a broad spectrum anti-avoidance provision which should not be narrowly or technically construed. The Special Commissioners did not give sufficient effect to that principle.

The next question was whether the second requirement of section 478 had been satisfied. Did Mr Brackett in consequence of the transfer and of any associated operation, have power to enjoy any of the income of Drishane?

"Power to enjoy" was given an extended meaning by subsection (8) which listed five cases in which the individual was deemed to have the power to enjoy income.

The provisions relied on by the Revenue were where "(b) the receipt or accrual of the income operates to increase the value to the individual of any assets held by him or for his benefit; and" (c) "the individual receives any benefit . . . out of that income . . ."

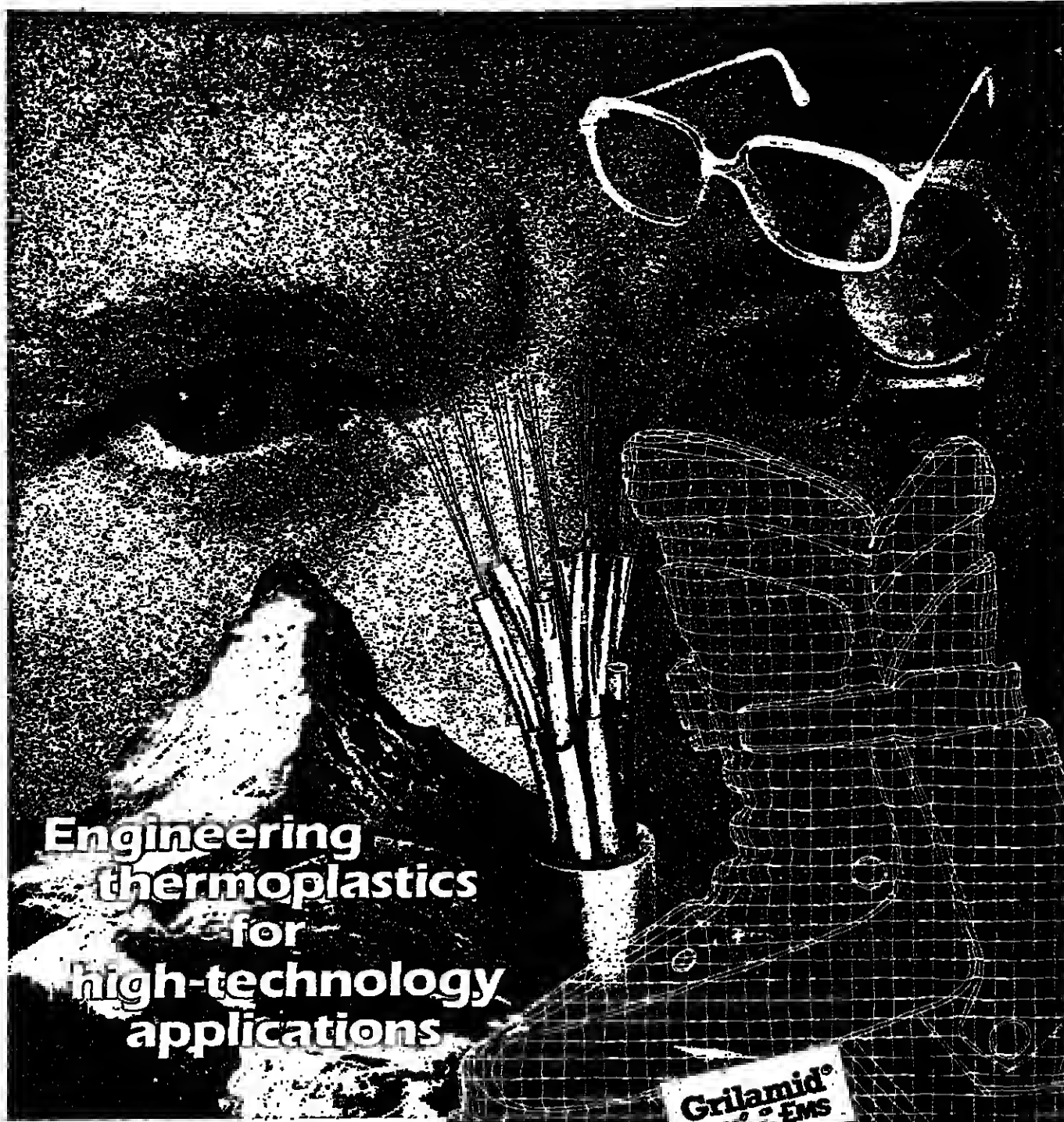
Subsection (6) said that in determining whether an individual had power to enjoy income within the meaning of the section, regard should be had "to the substantial result and effect of the transfer and any associated operations; and all benefits which might at any time accrue to the individual as a result of the transfer . . ."

It was clear that the "substantial result and effect" of the transactions was that Mr Brackett received benefits provided out of a tax-free fund accumulated by Drishane in Jersey from its exploitation of his services under the contract of employment.

Those benefits were the provision of liquidity in the form of cash payment for properties which could not be sold; the provision of money for repairs and payment of salary and the discharge of Mr Brackett's mortgage obligations to provide for his wife and children.

Mr Brackett was therefore deemed to have power to enjoy income of Drishane under section 478(8)(c). The appeal against the discharge of the section 478 assessments by the Special Commissioners must be allowed. It was strictly unnecessary for the court to express a view about the cross-appeal under section 79. However, in relation to that section there was evidence on which the Special Commissioners were entitled to find that Mr Brackett constituted a branch or agent.

For the Revenue: Alan Moses (Solicitor, Inland Revenue).
Mr Brackett appeared in person.
By Rachel Davies
Solicitor



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TECHNOLOGY

GLOBAL WEATHER FORECASTS

Flightpath to big fuel savings

By Mary Wilkinson

COMPUTER COMPATIBILITY PROBLEMS? RING INTERmedia (0273) 478725

noticed a marked improvement since the airline started using Bracknell's forecasts. Karl Fredriksson, responsible for flight planning support systems, says an average 35kg of fuel per flight hour is being saved, representing £2m a year.

"Before we started using Bracknell, we had several unplanned fuel stops caused by incorrect wind predictions on, for example, our Bangkok-Copenhagen route," he explains. "Now unplanned fuel stops are very rare and usually caused by errors on our part, such as understanding the weight of the aircraft."

SAS receives the forecast data directly from the Met Office but the majority of airlines use a flight planning agency. One such agency, SITA supplies Met Office forecasts to 14 airlines including Swiss Air, Singapore Airlines and Qantas. A SITA executive from the agency's data processing centre in London says: "At the moment the demand from the airlines is for the Bracknell system—it enjoys a high reputation.

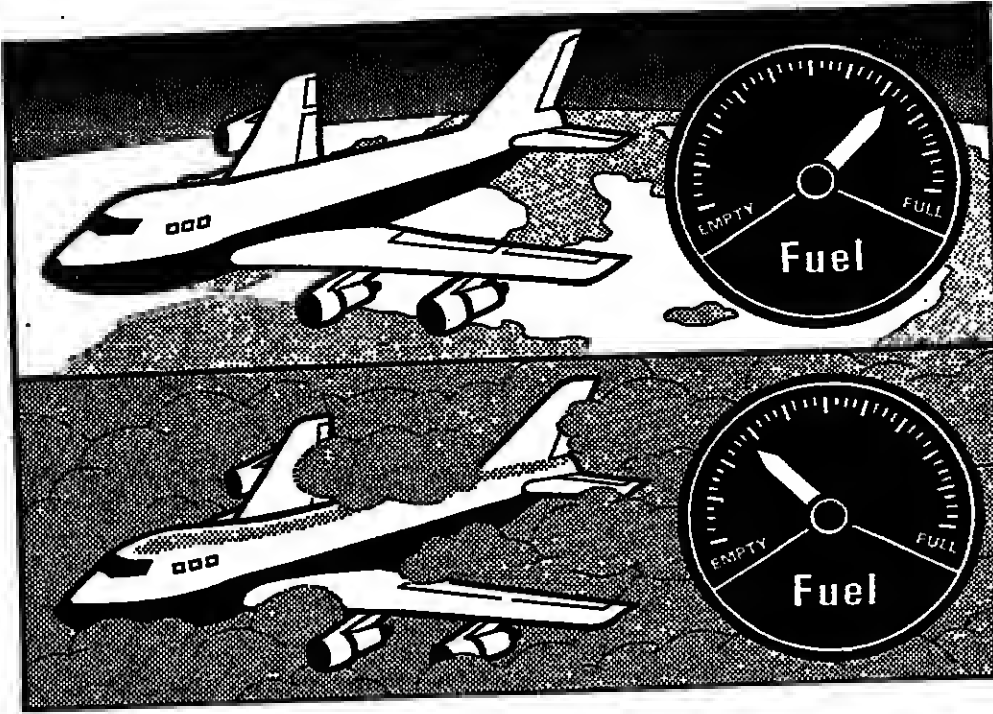
But not all the airlines are so complimentary about the Met Office service. British Airways and British Caledonian, with the backing of the Civil Aviation Authority (CAA) standing in the price they have to pay for the service. All those using UK airspaces pay charges to the CAA which in turn is charged over £18m a year by the Met Office. Charles Owen, a consultant to the CAA standing in reference to the Met Office's campaign on behalf of the airlines to get the charges reduced, claims civil aviation is the only industry paying full price for Met Office services. "Marine services, the media and North Sea oil operators are charged a subsidised price." He adds that 48 per cent of the charges are falling on British operators, as they are the largest users of British airspace.

The Met Office argues the airlines are getting good value for money, and claims it would cost aircraft operators an extra £500m a year if there were no weather forecasts at all.

To produce the forecasts the Met Office uses a Cyber 805 supercomputer from Control Data which is capable of performing 400m operations per second. This "number crunching" power allows a global, 24-hour forecast to be produced in four minutes—the fastest in the world, claims the Met Office.

A quarter of a million items of observation data from ground sensors, satellites, etc., are processed and mapped on to a latitude/longitude grid of the world containing 300,000 points. Until the arrival of the Cyber in September 1982, the Met Office had been restricted by lack of computing power to a 10-layer model covering most of the Northern Hemisphere, instead of the global, 15-layer model.

Since 1982 the Met Office's research effort has concentrated on fine tuning the numerical equations to improve weather predictions.



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The US World Forecasting Centre also has a Cyber 205 but uses different numerical methods and produces only a 12-layer model.

Chuck (Charles) Lambert, international aviation programme leader at the US centre, agrees the Met Office forecast is "slightly ahead" in terms of speed and accuracy. But the Americans are hoping to regain the world lead with the introduction of an 18-layer model within the next two months.

"It should enable us to improve the quality of the forecasts although it will require a longer running time on the computer," Lambert says. "But even once the new model is up and going, it'll be a while before it shows its full potential—it will need refining."

Another of the reasons the airlines have flocked to the Bracknell system is because the Americans have stopped transmitting their forecasts in a code known as aviation digital forecast (ADF) and switched to a more efficient code, gridded binary (Grib). The airlines have been reluctant to reprogram their computers to accept Grib. The Met Office transmits in both codes.

The Americans are obviously hoping their new, more powerful forecasting model will woo customers away from Bracknell. But, Dr Peter White, who led the award winning team at the Met Office, says there are no immediate plans to increase the number of layers in the British model. Since its introduction there has been a sudden drop in the number of errors between the predicted and actual weather conditions.

When errors are reported, he says, the forecasts are often accurate and the problem lies in lost detail between grid points.

He cites the case of a Swiss Air flight from Tel Aviv to Zurich which ran into almost double the predicted headwind and consumed 7.5 per cent more fuel than had been calculated. The problem was a jetstream which was too narrow relative to the grid lengths to be represented accurately. Higher resolution grids would therefore improve accuracy.

All the same, there have been enormous improvements—a three-day forecast today is as accurate as a one-day forecast, ten years ago.

Further forecasting development depends on available computing power. With increased machine speeds, more observations could be taken, more layers added, grid resolution improved and calculations refined.

Dr White says his department is keeping an eye on computer developments but there would be little point in replacing the Cyber until something a lot faster came along: "If we halved the grid resolution and doubled the number of levels we would need 16 times the computing power. A computer like that does not exist, yet."

WORTH WATCHING

Edited by Geoffrey Charlish

Rapid orders on the grape vine

WINE GROWERS, buyers and shippers can take advantage of an international computer network called WEX (short for "wine exchange").

All that is needed is a computer. A seller WEX terminal or suitable personal computer. A seller accesses the system over the phone network and enters his wine for sale while the buyer selects the wines he needs and closes the deal via screen and keyboard. Meanwhile the shipper is alerted immediately to the deal and via WEX he organises grouping, loading and transportation. Sellers' stocks are automatically updated.

This series of rapid transactions between the subscribers' terminals saves the exchange of stock lists, purchase orders, confirmations and other paper through the mail and is said to cut the order cycle time from up to three months to about 30 minutes.

All that glisters in US electric

ELECTRICAL CONTACTS could be improved using nickel-based alloys developed by Bell Telephone Laboratories in Murray Hill, New Jersey in the US.

Gold, though expensive, has been favoured for high quality contact surfaces because it is an excellent conductor of electricity and heat and does not easily oxidise to give poor connections.

The Bell Labs team in their efforts to reduce costs, found that stable contacts are obtained when nickel is alloyed with small amounts of phosphorus, sulphur, silicon, and germanium. As such alloys age, they develop a highly conductive, thin surface layer. Further surface film formation is inhibited, but the low and stable contact resistance is maintained.

Short cut to circuit design

FASTER, LOWER-cost analysis of analogue electronic circuits is offered by some software from Number One Systems of St Ives, Cambridgeshire in the UK.

For use on IBM personal computers and compatible models, the software, called Analyser, allows small organisations quickly to design and examine the per-

formance of circuits (frequency responses, for example), without actually building them. Designers can quickly see the effect on performance of circuit or component changes, without using a soldering iron.

There are two versions of Analyser, for two maximum sizes of circuit, and they cost only \$65 and \$195 respectively.

DEC joins drive to link automation

DIGITAL EQUIPMENT Corporation (DEC) has launched a range of data networking products based on General Motors' ARP (manufacturing automation protocol) that allows factory automation equipment to communicate regardless of make. Increasingly, MAP will be implemented in the integrated control of complete factories or production lines by linked computer systems.

DEC says that users of its existing networking products (Decnet, for example) "now have the choice to move to remain with current installations."

How to tell why ship went down

THE MARINE equivalent of a flight recorder has been developed by Germanischer Lloyd in Hamburg, the international ship classification society.

The recorder is designed to identify the cause of accidents and would be installed in a ship's radio distress buoy on the wheelhouse top. Even if the ship sinks, the buoy will float off for recovery. Data about the ship's operation will be recorded automatically and will include position and time, weather, water depth, rudder position and other items.

German opt for Texaco gas system

COAL GASIFICATION plant using the Texaco process has been commissioned at the Oberhausen plant of Ruhr GmbH by German company Uhde of Dortmund.

In the Texaco process, under development for the last seven years by Uhde and other German companies, the hard coal is fed to the gasifier in the form of a coal suspension. In "water" by means of pumps and is gasified with the aid of oxygen. The system is claimed to be both simple and reliable. Gasification takes place under pressure and at temperatures above the ash melting point, preventing the formation of by-products. The Oberhausen plant converts 38 tonnes of German hard coal into 50,000 cubic metres of gas per hour. The fine grain ash obtained has a low carbon content and can be utilised by metallurgical industries, obviating waste disposal.



The good old days?

They can't have looked all that good to these boys waiting to enter a Victorian orphanage: ill shod (1), oddly dressed (2) and probably left destitute by the early death of their parents. Of course, there are orphans and neglected children today as then, and much in the human condition does not change. But what dramatic changes there have been in most people's life-style and expectations over the past century. The improvements

in healthcare, food, clothing and housing owe much to the practical application of chemistry; a field in which Bayer has been one of the leaders since 1863. In healthcare, Bayer researchers produced the first sulphonamide, to combat infectious diseases and made the original Aspirin, the most widely used painkiller in the world. They have since produced new types of penicillins, and drugs that effectively treat angina and hypertension.

In agriculture, Bayer has helped to boost food production as and when it was most needed, with selective weed-killers and pesticides, and now with the latest developments in biochemistry. Clothing and home furnishings too have benefited from the progress of chemistry. Man made fibres like Bayer's Dralon® have enabled clothes and furnishings to be made easy-care and inexpensive. Dyestuffs have added the vast variety of colour.

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UK NEWS

Government on track to meet borrowing target

BY JANET BUSH

THE BUOYANCY of tax receipts from outside the oil sector reduced government borrowing to a negligible level in October, according to provisional figures published yesterday by the Treasury.

Non-oil receipts, particularly of corporation and value-added tax, are running almost £2bn higher than forecast in the March budget, reflecting healthy company profits and consumer spending. Treasury officials said the Government is on track to meet the Public Sector Borrowing Requirement (PSBR) target for the current fiscal year of £7.1bn.

Mr Nigel Lawson, the Chancellor of the Exchequer, confirmed in his Autumn Statement that he expected the PSBR to be around £7bn this year despite the overrun in public spending and the tax measures he announced to help the oil sector. He said the PSBR in fiscal 1987-88 would be 1% per cent of gross domestic product, near to £7bn.

The PSBR for October was a very small £3m, giving a cumulative requirement in the first seven months of the current year of £5.7bn. This compares with a requirement of £5.3bn in the year to October 1985, but it is difficult to make direct comparisons because the series is not seasonally adjusted.

The officials noted that the bulk of Inland Revenue receipts fell in the last quarter of the fiscal year. A large proportion of the total £4.7bn expected in proceeds from the sale of state assets are also yet to come. The Government's accounting treats privatisation receipts as negative expenditure.

Treasury blocks fuller view of the PSBR

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE TREASURY has blocked a move by the Bank of England to publish monthly figures which would give financial markets a fuller guide to the underlying trend of the Government's borrowing.

The Bank had planned to publish seasonally-adjusted figures for the public sector borrowing requirement (PSBR) as part of a change in the presentation of monthly data for movements in the money supply.

When the first set of money supply figures on a new calendar month basis are published by the Bank tomorrow, however, they will exclude its seasonal adjustment to the PSBR. Instead, the Bank will issue the unadjusted figures which are already provided by the Treasury, the latest of which - for October - were released yesterday.

These statistics give the borrowing requirement from month-to-month in cash terms. Because of large seasonal fluctuations in departmental spending and the timing of tax payments they provide only the roughest guide to the underlying trend in borrowing.

Seasonally-adjusted figures, which would make allowance for the most obvious of such fluctuations, would provide the financial markets with a better guide as to whether the Government was on track to meet its borrowing targets.

The issue of whether the Bank should publish such figures has arisen because the PSBR is a counterpart in the measurement of the growth rate of sterling M3, the broad money supply measure.

Adjusted PSBR figures on a calendar month basis could be used by economists to provide more accurate forecasts of the borrowing pattern over a full financial year.

The Treasury says that it opposes their publication because they could mislead the markets. The official argument is that the adjustment of the PSBR to take account of seasonal changes is a far more complex and less precise exercise than similar changes to other series of statistics.

The level of borrowing in particular months can be affected by a number of erratic factors which would not be smoothed out by seasonal adjustments. It appears that there is concern that too much weight would be attached to an adjusted series, despite any official disclaimers.

The Bank is expected to explain these and other technical difficulties involved in switching to a calendar month basis when it publishes the money supply figures tomorrow.

There is general agreement in the City of London, however, that the Government has long gone out of its way to make it difficult for outsiders to assess its borrowing needs on a monthly basis.

SE guides members on Boesky

By Hugo Dixon

THE LONDON Stock Exchange Council yesterday advised members to contact the exchange before they had any dealings with Mr Ivan Boesky, the man at the centre of a Wall Street's latest insider trading scandal.

This is an interim measure, while the stock exchange waits to see what controls the Securities and Exchange Commission (SEC) puts on dealing by Mr Boesky in the US.

The Department of Trade and Industry (DTI) is being briefed by the SEC on the Boesky affair under the information-exchange agreement signed between the two earlier this year. The DTI is then passing this information to the stock exchange. But the stock exchange does not yet know whether Mr Boesky is going to be allowed to buy and sell securities in the US until 1988, or whether he is going to be restricted to unwinding his existing positions.

The intention of the stock exchange's advice to its members, it seems, is to ensure that it does not impose restrictions which are incompatible with those being devised by the SEC. Members who are in contact with the stock exchange, it is said, will be given the latest information on where matters stand.

The council also discussed yesterday how members should handle technical aspects, including dealing and settlement, of the British Gas flotation. Advice is expected to be issued by the end of the week.

US court clears way for Lonrho

By Andrew Taylor

TWO Lonrho-controlled companies have been given the go-ahead to proceed with claims for damages against International Trader Crystals SA, its former partner in a Zambian amethyst mine by a court in Denver, Colorado.

Lonrho had claimed that Crystals and its former managing director Mr Daniel Mayers had sold amethysts for less than their market value.

The Denver District Court upheld a default judgment against Crystals which had failed to produce documents which the court had demanded. Another default judgment against Mr Mayers was not sustained.

All parties have 60 days in which to lodge appeals and for the two Lonrho-controlled companies, Northchart Investment and Coronation Syndicates, to present claims for damages against Crystals and Mr Mayers.

During the hearing Northchart claimed that Crystals' actions had resulted in damages estimated at \$9.2m (£3.8m) and said it would be claiming 55 per cent of this figure.

The 20 per cent stake in the mine formerly owned by Crystals has now been taken over by the Zambian Government, according to Lonrho which, through Northchart, Coronation and another Lonrho subsidiary, now owns the rest of the mine.

Currency case crucial for banks

David Lascelles reports on Scandinavian Bank's plan to denominate its equity in several currencies.

IT SHOULD come as no surprise that Mr Justice Harman has decided to seek the Government's opinion on Scandinavian Bank's plan to denominate its equity in several currencies.

Whichever way it goes, the High Court case will mark a major milestone in the development of UK company law and would have wide repercussions in the banking industry.

Although the case is technical and has been launched by a foreign-owned (albeit UK-registered) bank, it challenges the basic assumption that the capital of a UK company can only be denominated in a single currency - usually sterling.

For this reason it is being widely watched in the business and accounting community. The case might even prove politically controversial because it could raise questions about a company's real nationality.

Scandinavian Bank is the UK's 11th largest bank with shareholders funds of about £1.5bn and a balance sheet totalling £3.3bn. Established in London in 1969 as a consortium bank to handle the UK interests of several Scandinavian banks who were too small to have offices of their own, it is now owned by five large Nordic banks: Skandinaviska Enskilda Banken of Sweden with 33 per cent, Bergen Bank of Norway with 27 per cent, Union Bank of Finland with 27 per cent, Privatbanken of Denmark with 10 per cent and Landsbanki Islands of Iceland with 3 per cent.

Ever since it was founded, the bank has kept its accounts in sterling, although most of its assets are denominated in foreign currencies, principally the dollar. This meant that as sterling declined in value against other major currencies, the bank had constantly to raise new sterling capital in order to preserve the ratio of its capital to its total balance sheet. This ratio is set by the Bank of England to ensure that banks have sound underpinnings.

According to Mr Garrett Bouton, the chief executive, the shareholders have had to double their investment over the years just to keep the ratio level and this is becoming a heavy burden now that Scandinavian Bank has grown to be larger than some of its owners.

The remedy that Scandinavian Bank has proposed is to reconstitute its capital in four currencies in proportions which broadly reflect the composition of its assets. This would automatically neutralise the effect of currency movements on the bank's gearing because any change in the value of, for example, its dollar assets, would be compensated by a parallel change in the value of its dollar capital.

The precise details of the plan have taken several years to complete and have involved an arduous round of discussions with authorities in several countries. The Bank of England finally approved the idea earlier this year. The Inland Revenue has also been consulted and given the go-ahead, as has the Registrar of Companies. On top of that, Scandinavian has also worked out wholly new accounting principles with PwC Warwick, its auditors.

All the plan now requires is the permission of the High Court which must approve any reconstruction of the capital of a UK company.

Scandinavian's plan is to create a "capital currency unit" which would consist of four classes of shares divided into dollars (50 per cent), sterling (23 per cent), D-Mark (12 per cent) and Swiss francs (15 per cent). This approximately mirrors Scandinavian's balance sheet which is denominated 40 per cent in dollars, 17 per cent in sterling, 15 per cent in Swiss francs and 12 per cent in D-Marks.

The four classes would be allotted different premiums in order to give them heavier or lighter weightings

and these premiums could be changed to match any major alterations in the currency structure of the bank's balance sheet.

The capital currency unit itself would be denominated in sterling and the bank would continue to present its accounts and pay its dividends in the UK currency. However, the bank would express its net worth in foreign currency, and if it was ever dissolved the pay-out would be in dollars, D-Marks, francs and pounds in proportion to the weightings in operation at the time.

Scandinavian Bank has argued that its scheme would have present a number of advantages, among them easier planning, no more sudden requirements for new capital, and a more diversified investment for its shareholders.

However, to obtain the High Court's approval it will have to satisfy the judge that UK company law can be interpreted to mean that capital can exist in many currency forms.

Although Scandinavian's problems are rather special, the prospect of banks being allowed to denominate capital in several currencies is potentially of wide interest.

Most large UK banks, including the clearing banks, have as much as half their assets in foreign currencies and suffer the same strains to their ratios from the decline in sterling's value. Their solution has been to raise loan capital in dollars to boost their foreign currency reserves.

Unsung Falklands heroes find home is highest bidder

BY FIONA THOMPSON

THE TRUE mud and grit veterans of Fortress Falklands were back home yesterday, unsung, ready for action again in the trenches.

All had made their 15,000-mile round-trip to the South Atlantic in the national service. The result of their labours has been described, tentatively, as one of the wonders of the world.

The Goliath crushers, the heavy-weight dumpers and, perhaps most unexpectedly, the egg-layer block-making machines, have all been employed in constructing the Falkland Islands' Mount Pleasant Airport, built in the peat bogs 25 miles south-west of Port Stanley.

They were on parade again yesterday in a huge aircraft hanger at Blackbushe Airport in Surrey, south-east England, to be sold to the highest bidder at an auction of machinery demobbed after the airport campaign.

The two-day sale of 1,016 lots fetched just short of £1m, according to British Car Auctions, who sold the vehicles, spare parts, stores and plant for the Property Services Agency, which maintains and manages the Government's civil and defence estate.

The selling was brisk, sharp and non-stop, from 10am to gone 9pm on both days. Two auctioneers and one spotter (to identify bidders) were ferried up and down the aisles in a Popemobile-like vehicle, the punters clustered round it.

Literally everything that was needed to build the airport - apart from water, stone and sand - was shipped to the Falklands, and that included equipment to house, feed and clean 2,200 workmen, who built it in a record 90 weeks.

As there was little use for the surplus plant on the islands once the airport was completed, it was shipped home.

It took British Car Auctions five weeks to transport the 120 container loads and 70 heavy items of plant from the docks and set up the auction.

The hanger was crowded yesterday, the majority weatherbeaten faded men in thick coats, boots and caps - the few wearing Italian shoes and Burberrys looking distinctly flash. There were builders, contractors, civil engineers and dealers from plant hire and electrical companies.

Thatcher rules out negotiations, Page 14

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"The combination in Barclays de Zoete Wedd of one of London's top stockbrokers and major market makers, an innovative merchant bank, proven investment management and the resources of the Barclays group will, in my view, meet that need."

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UK NEWS

Nick Bunker watches the Queen open Lloyd's new headquarters

Lime St stages a grand theatre

THEY WERE taking no chances at Lloyd's of London yesterday. Moments before the Queen arrived in mid-morning to open formally the insurance market's new home in Lime Street, in the City of London, a woman member of staff appeared from the wings.

Her job was to sweep with a vacuum cleaner the red carpet that snaked up the steps leading into the vast steel-and-concrete underwriting room of the London insurance market. As the royal party took their seats on a sea-blue dais facing the Lutina Bell, high above their heads two men from O&K, the escalator company, were on station to watch for technical bugs in the building's moving staircases.

For Lloyd's, yesterday's ceremony and the champagne party afterwards, was the climax of seven years' of work since out-

line planning permission was received for a new headquarters in the autumn of 1979. The new building, commissioned from the architect Richard Rogers, is the ninth to house the world's most famous insurance market since Edward Lloyd opened his coffee house in Tower Street in 1688.

But the ceremony had a symbolic value as well. Lloyd's has been steering a delicate course recently, as it emerges from the shadow of its well-publicised scandals, and battles down the hatches to await the Government-appointed Neill inquiry's report on the market's standards of self-regulation.

Yesterday was an opportunity for a piece of theatre. It was a grand re-assertion of pride and self-confidence and a chance to exhibit once again the nautical and patriotic imagery which Lloyd's men have always liked to

wave around the everyday business of insurance.

Everyone played their parts as they were expected to. Even Mr Rogers lived up to his role by appearing in a white suit, blue shirt and pink tie.

Escorted by Mr Peter Miller, the market's chairman, the Queen (in a green coat and matching hat) passed a detachment of sailors from HMS Illustrious, the Royal Navy aircraft carrier which Lloyd's has adopted.

To Aaron Copeland's Fanfare for the Common Man (played by the City of London Sinfonia conducted by Sir Charles Groves) she took her seat on the ground floor of the 240-foot high atrium, which Mr Rogers has made the central feature of the new building. Later, before the Lutina Bell was rung twice in celebration, she was entertained with

Haydn's Mass in D Minor (composed in honour of Lord Nelson's victory at the Battle of the Nile).

Mr Miller made a point of alluding to the new Queen's reputation as the City's most controversial new building.

The new Lloyd's is "in exciting contrast to so much of the boring architecture of the modern City," said Mr Miller. "If it is controversial let it never be said that Lloyd's cannot take a risk."

The Queen was left to relax obligingly to the sounds that emanated at Lloyd's in 1982. "Alongside its successes of recent years, the community of Lloyd's has been faced with some major problems," she said. "Much time and effort has been spent in developing self-regulatory requirements. Steady progress has been made, and I am sure will continue to be made, towards a better supervised market."

MARKETING WEEK FEB 1985.

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HALF YEARLY REPORT FIGURES NOV 1986.

THAMES TELEVISION PLC & SUBSIDIARIES UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1986			
	Six months ended 30th September 1986	1985	Year ended 31 March 1986
TURNOVER	£'000 104,523	£'000 80,935	£'000 190,907
PROFIT/(LOSS) BEFORE TAXATION	10,264	[2,966]	14,625
PROFIT/(LOSS) AFTER TAXATION	6,392	[1,993]	8,278
EARNINGS/(LOSS) PER SHARE	13.32p	[4.18p]	17.40p

When a juggernaut is on the right road try stopping it.



Auditing guide proposed for banking records

BY HUGO DIXON

BANKS WILL have to commission from their auditors' annual reports on their accounting records and their internal control systems under proposals contained in a consultative paper issued by the Bank of England.

If the reports are delayed or qualified, the auditors will have to let the Bank know immediately, giving their reasons.

The paper details the criteria auditors should use in deciding whether banks have adequate records and internal control systems. The criteria complement the provisions of the Banking Bill published last week, which seeks to learn from the experience of the Johnson Matthey Bankers collapse and give auditors a more central role in bank supervision.

The Bank emphasises that the proposal does not mean it is faring out to auditors its supervisory responsibility. It is simply improving its information-gathering capacity, it says, as it will still be its responsibility to decide whether the law is being obeyed.

Neither the proposals on records nor the internal controls will require major changes in the way most banks operate, the Bank says, although some modifications may be needed. The main concern has

been to provide a minimum benchmark below which no banks would be allowed to fall.

The paper suggests that accounting records should be good enough to provide their managements with information on, among other things: large exposures; off-balance sheet transactions; interest rate mismatches; overdue and out-of-order loans and the provisions made against these; and credit exposures by sector and country.

On internal controls, the paper proposes that, among other things, they should give reasonable assurance that transactions and commitments are entered into only after the management's general or specific authority has been obtained, that there are measures to minimise the risk of loss from fraud and errors and that the management is able to monitor regularly the bank's capital adequacy and liquidity.

● National Westminster Bank's attempt to attract more mortgage business by giving new borrowers a 0.5 percentage point discount on its rate of 12.25 per cent seems to be working. In the two months since it started, the offer has attracted more than £500m in loan applications.

Gross mortgage lending so far this year is now over £1bn.

Falklands negotiations ruled out by Thatcher

BY TOM LYNCH

THERE will be no negotiations between Britain and Argentina about the sovereignty of the Falkland Islands as long as the British rule, Mrs Margaret Thatcher, the Prime Minister, strongly reaffirmed in the House of Commons yesterday.

Questioned by Labour MPs about her discussions at Camp David with US President Ronald Reagan on the future of the islands and the British decision to impose a 150-mile fishery conservation zone, she insisted that the wishes of the islanders remained paramount.

She told the Commons that the President had understood her Government's decision, perhaps for the first time.

After a Commons statement on her US trip, she was asked by Dr Norman Godman, a Labour MP, whether the President had offered any criticism of the "reckless decision to impose a fishery zone around the Falkland Islands, or did he offer his support for this foolish decision."

The Prime Minister retorted: "It was an absolutely justified decision as I explained to the President. We have tried since April 1985 to negotiate a multilateral fishing agreement. We have not succeeded. Argentina would not co-operate."

"I explained to the President that when Argentina made bilateral agreements on waters that affected us we had no option but to declare a 150-mile conservation zone."

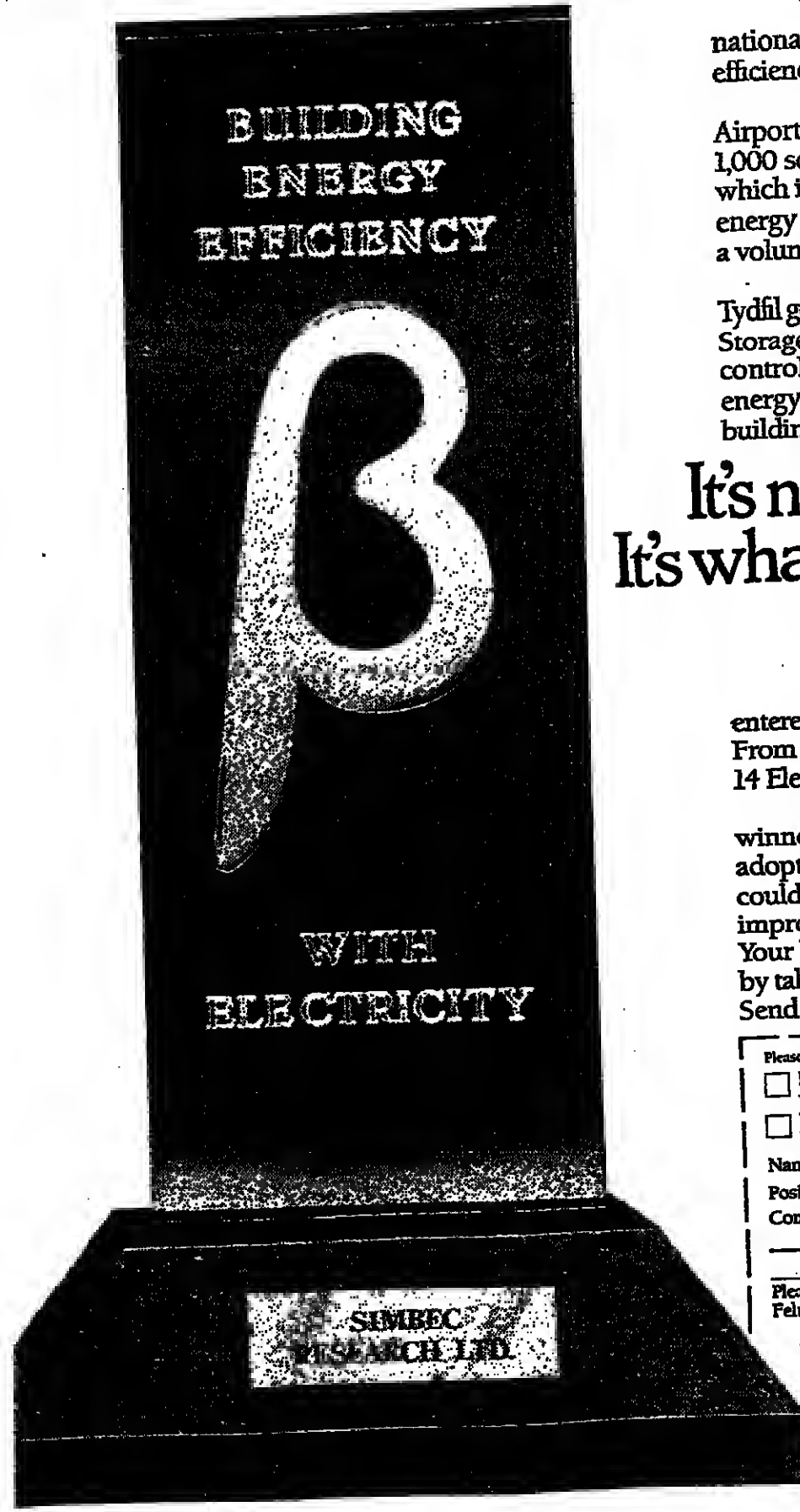
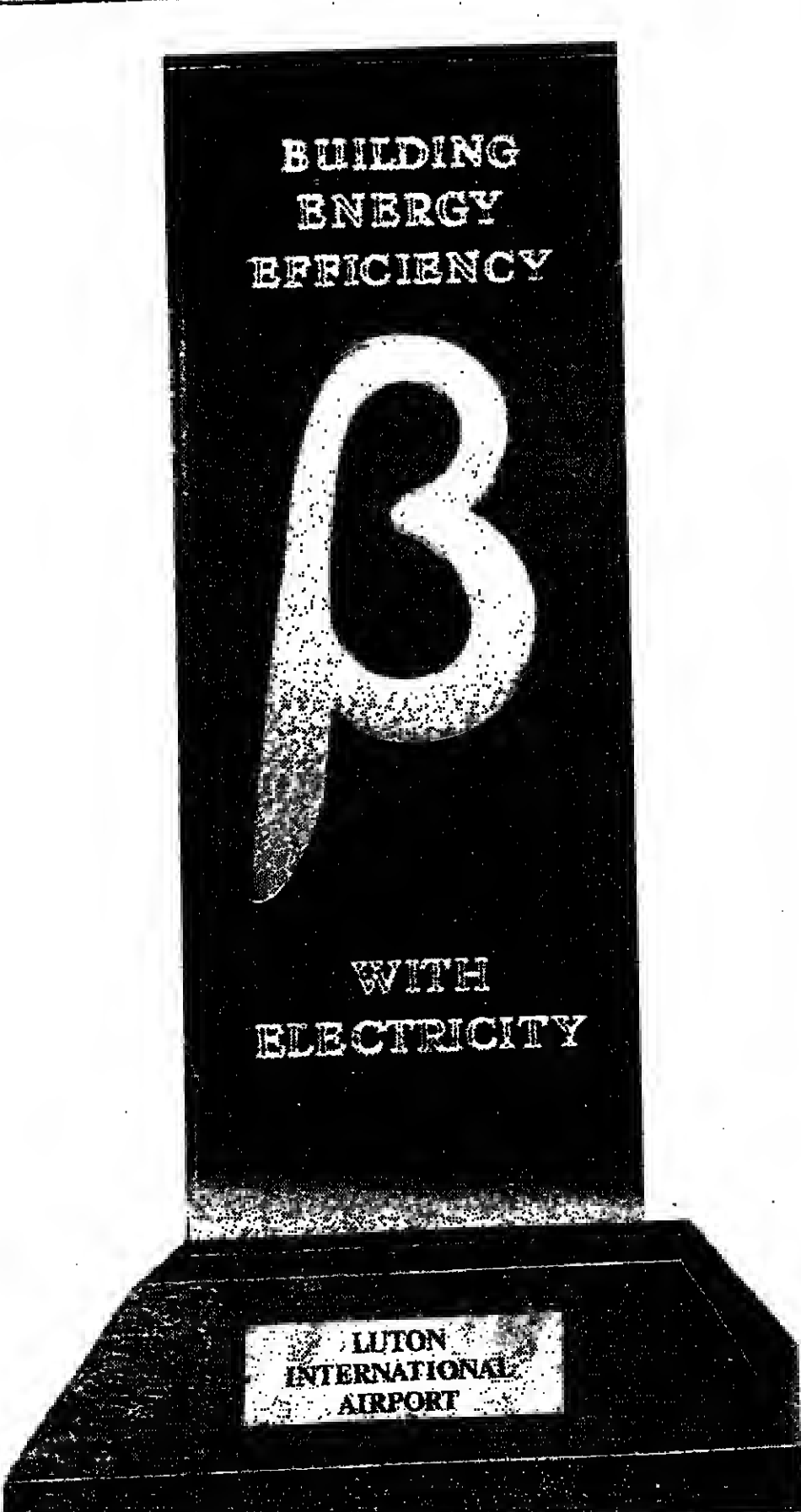
"I think the President for the first time understood that."

She told Sir John Faur (Conservative) that it had been at one time accepted on all sides of the House that the wishes of the islanders were paramount. This was before "certain leaders of the Opposition" had had discussions with President Raul Alfonsin of Argentina.

In her statement, she said she had told the President that Britain's preference remained a multilateral solution "provided that the Argentine Government was prepared to co-operate."

She described her visit as useful. The agreed statement confirmed her Government's aims for balanced reductions in nuclear and chemical weapons, while buying Trident to update Britain's nuclear capability.

She and the President had agreed that the priority in the Intermediate Nuclear Forces talks at Geneva should be a 50 per cent cut in strategic defensive weapons, a ban on chemical weapons and "restraints on shorter range systems."



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UK NEWS

'Doom and gloom' on oil attacked by minister

BY JAMES BUXTON

MR Alick Buchanan-Smith, the Minister of State for Energy, yesterday attacked "doom and gloom merchants" for painting a black picture of the future of the UK offshore oil industry.

The minister said that this year he had approved 12 oilfield development projects worth £2.1bn only slightly down on last year's development spending figure of £2.3bn. "This is hardly the story of an industry in retreat," he said.

He pointed out that 58 exploration wells had been started this year, only three fewer than in the same period of last year. Appraisal wells numbered 33 as against 40 in 1985. Only 40 per cent of the wells drilled were done because the operators were under obligation in their licences to drill them.

Mr Buchanan-Smith, who was speaking in the Glasgow Exhibition Centre at the opening of Wescon 86, an exhibition of offshore equipment

produced mainly in the west of Scotland, admitted that he was concerned about the future faced by the offshore platform and module fabrication yards after current orders run out in late 1987 and early 1988.

But he said: "I don't think that the oil scene in Scotland is anything like as bad as some people have made it out to be. It's difficult and it's hard, but there's still a very long future ahead for the industry."

OIL DISTRIBUTION WORKERS ACCEPT JOB CUTS AND SHORTER HOURS DEAL

Wage rises of 33% in Shell restructuring

BY PHILIP BASSETT, LABOUR EDITOR

EMPLOYEES in Shell UK's oil distribution division have voted to accept a restructuring package which includes basic rate pay increases of up to 33 per cent and 2½ hours off their working week in return for job cuts of 20 per cent and new work standards.

The proposals, which have still to be signed by the unions involved, the Transport and General Workers' - although its negotiators have welcomed them - indicate that some high pay deals are still being

concluded, especially in the private sector, if they are funded by extensive changes in working practices.

The terms of the proposed deal, which is the first redrawing for 20 years of the comprehensive national agreement covering 1,600 tanker drivers, terminal operators and aviation staff, are complex. They include:

- **Hours:** Drivers' and other employees' normal basic 40-hour week will be cut to 37½ though under a committed hours scheme drivers

will work an additional average of 7½ hours a week.

- **Pay:** Those that agree to such a step will move to a new salary level which will feature a sharp increase on annual basic pensionable pay - from £9,131 to £12,220. Although this is an increase of 33.9 per cent, Shell insists that because of the reduction in overtime involved in the committed hours scheme, the overall effect on earnings could be much smaller - increases of perhaps 5-6 per cent.

- **Jobs:** In introducing larger but fewer oil tankers, Shell is looking as part of the package for 501 fewer jobs, cutting the workforce down to about 1,100. The company's normal and unpublished redundancy terms are being offered, which Shell says are generous. To allow for the deal to be implemented on January 1, Shell is looking for acceptance of its voluntary redundancy offer by the end of November.
- **Work standards:** This will include working to proper times, and

full workforce flexibility between job grades.

The proposals, which are the result of year-long negotiations, have been accepted at depot level by ballot by a majority of 2-1. Shell says that the deal if implemented will encourage the investment it believes it needs to make to its distribution division, and says that it offers a greater emphasis of a higher proportion of employees' earnings.



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Loyalist MP faces lengthy Dublin trial

BY HUGH CARMICHAEL

THE PROSECUTION is to call 50 witnesses in the case against Mr Peter Robinson, deputy leader of the Rev Ian Paisley's Democratic Unionist Party, when he goes on trial in Dublin on serious public order charges, the Irish Special Criminal Court heard yesterday.

The East Belfast MP travelled to Dublin from Belfast for a brief hearing in which Mr Justice Robert Barr set January 13th for the opening of the trial and remanded him on continuing bail of £10,000 (£2,500).

Mr Robinson faces 11 charges arising out of a midnight Loyalist incursion across the border into the County Monaghan village of Clontibret in August, during which he was arrested. They include assaulting a policeman and causing malicious damage. Mr Robinson denies the charges.

His case was transferred to the special criminal court, which is Ireland's anti-terrorist court, because

the district court was ruled unsuitable for security reasons. The special court is presided over by three judges sitting without a jury.

After a solicitor for the department of public prosecutions said it intended calling 50 witnesses, Mr Justice Barr said it was clear the trial would last some time. This poses Mr Robinson with the problem of deciding whether to stay in Dublin during the trial or travel back to Northern Ireland every day. He said this had not yet been decided.

Whatever he chooses, the Irish police will have to deal with the security headache of getting him safely to and from the city-centre courthouse each day. Yesterday, Mr Robinson's armoured-reinforced car was seized by Republicans as it arrived.

Among those accompanying him were his wife, Iris, and the Rev William McCree, the Democratic Unionist Party MP for mid-Ulster.

GEC wins £51m order for American fighter

BY LYNTON McLAN

GEC AVIONICS, the prime contractor for the Nimrod airborne early warning system, has won a \$72m (£51m) export order for cockpit display systems for the US General Dynamics F-16C fighter aircraft.

The British company, part of the GEC group, based at Rochester, Kent, in south-east England, announced the order yesterday to coincide with the first flight by Mr George Younger, the Defence Secretary, in the Nimrod AEW aircraft.

Mr Younger is evaluating the Nimrod in a contest with the Boeing E-3 Airborne Warning and Control System aircraft (Awascs). He flew in the E-3 earlier this month, to gain first-hand experience before the Cabinet decides on the new airborne early-warning aircraft for the Royal Air Force. A decision is expected before Christmas.

In presenting its latest export success in the US military market,

on the day of Mr Younger's Nimrod flight, GEC Avionics said it was "expectant to do so, because the latest contract was a very good example of a UK company selling its equipment abroad in open competition."

None of the head-up display orders involved any other arrangements with US companies, GEC Avionics said, in a reference to the offer by Boeing to offset 130 per cent of the cost of a British Awascs order with work for UK industry. The General Dynamics order "helps to secure the jobs of some 300 people for about two and a half years," GEC Avionics said.

The new head-up display system ordered by General Dynamics for the F-16C was the world's first holographic head-up display system to be put into volume production, GEC Avionics said. It uses optical techniques to give pilots an ultra-wide field of view from their cockpits.

THE BREAKFAST TIME TOAST

At 9am each day the board members of James Burrough may be found making their toast.

That's the time when they sample and 'nose' the previous day's distillation of Beefeater London Dry.

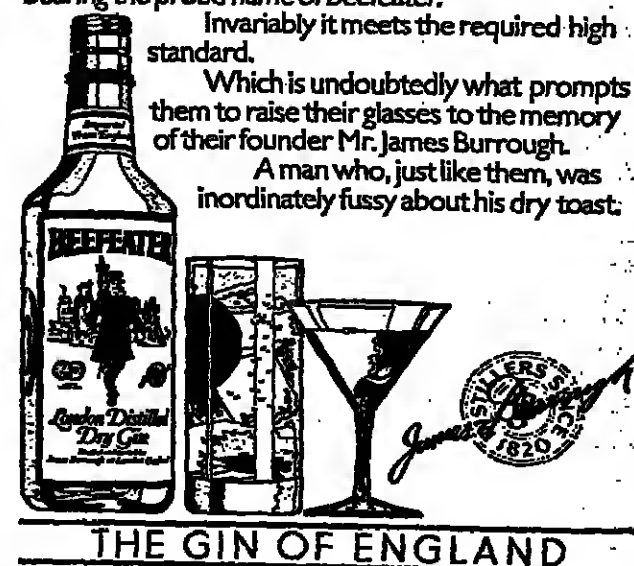
They like their toast to be clear, brilliant and subtly balanced. With a dry softness that doesn't overwhelm the palate.

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Which is undoubtedly what prompts them to raise their glasses to the memory of their founder Mr. James Burrough.

A man who, just like them, was inordinately fussy about his dry toast.



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Jenufa/Covent Garden

Max Loppert



Eva Randova and Ashley Putnam

One of the sublime operas returned to London, nine years after its last performance here... Monday's Royal Opera Jenufa was a big night: the first showing of Bernard Haitink as the company's new music director...

facade, visible much of the time, can suddenly be laid flat (by figures) in moments of psychological crisis... The libretto is a masterpiece of dramatic economy...

slique or manner (Steva is as morose and hangdog as his supposedly less prepossessing half-brother)... Has television changed politics? No, though politicians seem to have changed...

Television/Christopher Dunkley

A series of fallacies



Times past and present: Jonathan Dimbleby with the image of his father Richard

Such thoughts about the relationship between television and the way we live are prompted by an almost volcanic explosion of programmes devoted to the subject of television itself...

abandoning the Conservative Party and crossing the floor of the House to join the Opposition... There are two main reasons why television commercials sell detergent: first, that is what they are intended to do...

Mr & Mrs Nobody/Garrick

Michael Coveney

The liberation of Carrie Potter in print was effected three years ago courtesy of Keith Waterhouse, whose Mrs Potter's Diary was a spirited and funny many-sided comic...

Holloway. Waterhouse's Carrie is also endowed with more specific social ambitions: she refers constantly to Lady Cartmell's etiquette guide... The dramatic subplot is a couple of over-the-hill monologues with several moments of sentimental affection...

Michael Williams and Judi Dench

a full-blooded disputant in domestic matters and a writer who is easily Potter's match... The outtings to the Tank Theatre in Islington and the Mason House are topped in furious sarcasm by a commentary which prepares the way for a serious row and the departure to stay with her best friend Annie...

Demidenko/Elizabeth Hall

Dominic Gill

The Russian pianist Nikolai Demidenko has only appeared in this country once before, 12 months ago, as soloist with the Moscow Radio Symphony Orchestra... He is a sensational young artist—31 he may be, but the virtuosity is that of an arrogant, boyish 20...

The kinship with Horowitz tradition was established in the Prokofiev Toccata at the start of his programme—a sense of rhythmic means alone, at a fast but never breathless metronomic pulse... His account of the G sharp minor op.82 rivalled Rakhamonov's in its intensity...

Saleroom/Antony Thorncroft

Old Masters boil over

Demand for works of art of the highest quality seems almost insatiable at the moment in New York on Monday night Sotheby's sold the 46 Old Master and modern drawings which John R. Gable had collected in the past 14 years for £1,631,535 (\$2,288,300)...

Records for Fra Bartolomeo and Veronese for Carracci and Tiepolo, for a record price of £140,000... A group of Roman figures, dating from around the 2nd century AD, which were brought to this country during the Grand Tour but have spent their recent years on the bed of a lake, fetched good prices at Phillips yesterday...

Arts Guide

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's sensuous version of Les Liaisons Dangereuses is sexy, witty and wise...

over lovers and other riffs. (938 8111, CC 831171). Mollusque (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird...

and overblown idea of theatricality. (239 6225). 42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shogun...

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FINANCIAL TIMES

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Wednesday November 19 1986

Insiders and raiders

INVESTIGATIONS into alleged insider trading dominate press headlines on both sides of the Atlantic. Well known companies such as Goodyear and Gillette in the US, or Allied Lyons and Ocean Transport and Trading in Britain, have come under unwelcome pressure from corporate raiders, both domestic and foreign. Industrialists complain, in the columns of the American press and at the annual conference of the Confederation of British Industry, that the financial community has become little more than a gambling den. In short, there is a smell of easy money and scandal in the air accompanied by a fair measure of sanctimonious comment from all around. Is this merely the inevitable froth on top of a market that has run out of steam? Or is there a more fundamental malaise?

In Britain the immediate focus of attention has been the departure of Mr Geoffrey Collier from Morgan Grenfell following a breach of internal rules. He is said to have made a profit of £15,000 on the purchase of shares in a company for which a client of Morgan Grenfell was acting as underwriter. Many in the City argue that this demonstrates that self-regulation works, since the breach of rules was detected and followed by disciplinary action. Others claim that insider dealing is a criminal offence in Britain it is for the courts to pass judgment on Mr Collier. But on the more general question of whether insider dealing is a crime, there is every likelihood that the City's critics will have further opportunities to go on to the attack in the near future, though not necessarily with good grounds.

More ammunition

Those who stand to lose most from insider trading are arguably the market makers. With margins coming under pressure in London in the aftermath of the Big Bang, and with business being more widely spread across a greater number of participants, those who make their money as market makers are particularly sensitive to the potential losses from insider transactions and less able to protect themselves. Transgressions that would previously have been dealt with via the informal mechanisms of the club are thus more likely to come out into the open, as market makers protect their own interests. The more severe any downturn in the markets, the more ammunition the critics of the City will enjoy.

Political market in the regions

THE north-south divide in Britain is not only economic, but even more markedly political; the reminder last week from the Knowles by-election, where the Tories came a poor third, was hardly needed. It is a message which has clearly got through to the Prime Minister, as our interview today makes clear, and the holders of many Conservative marginal seats will be relieved to know it. Their chances of re-election may well depend on the Government offering some imaginative new proposals for this most persistently insoluble of British economic ills. Otherwise the Labour and Alliance approaches, depending in a different balance in each case of central funds and devolved decision-making, will be the only fancied runners.

Mrs Thatcher is clearly inspired by the remarkable success of the London Docklands Development Corporation in transforming the one great urban wasteland in the south of England into its most vigorous centre of development. There is a lot to be said for this very British piece of pragmatism — a body with sweeping decision-making powers which is only vaguely answerable to anyone, as opposed to the political market in regional grants and planning constraints; its results may be sometimes inelegant, and sometimes objectionable to local opinion, but they are fast and dynamic.

Frontier economics

This approach recreates the economics of the frontier, where wealth creation comes first, and political constraints follow in its wake. It does work, but it is not a universal solution; it will work best, as it has worked in London, in an urban wasteland — especially a heavily depopulated wasteland. Many of the problems, however (and most of the votes, if that is relevant), are found in much broader, heavily developed regions where an impressive infrastructure of roads and largely

That said, it is hard to believe that insider dealing is taking place in Britain on the scale implied by the Securities and Exchange Commission's allegations against Mr Dennis Levine and Mr Ivan Boesky on Wall Street. Mr Collier's profit looks laughable when compared with the \$50 million profit that Mr Boesky has agreed to give up. The extent of arbitrage operations in US markets in the course of the present takeover boom is also far greater than anything experienced in Europe.

Banking imbalance

There is, however, a common feature in all this, apart from greed. The frenetic takeover climate, in which both corporate raiding and insider dealing are prone to flourish, has been fuelled by an imbalance in the banking and securities system that arises from an over-load of bad debt and a shortage of good borrowers has encouraged the world's larger banks to promote the interests of corporate raiders without adequate regard to risk and the ability to repay. American Savings & Loan institutions are equally ready to purchase high yielding junk bonds in the hope of making good the hole in their profit and loss account and balance sheet arising from poor lending in the past.

The result is that corporate raiding is increasingly financed by equity disguised as loan capital on which the servicing obligations can only be met if the bonds are refinanced on different terms.

This is unhealthy and in due course will become self-correcting as unsound borrowers go to the wall. But in the meantime the corporate raiders will pose a threat not only to long term investment in productive assets by mainstream industrial companies but to the financial system as a whole. The social climate also becomes more divisive as those outside the financial community cast envious eyes on the short term profits made in the markets. Markets can and should apply their discipline to industrial management. But to do so effectively requires more prudent banking, a more responsible approach to ownership by the investment institutions and a readiness to eschew short term returns. If the present climate is allowed to prevail the politicians can be expected to extract the inevitable price, in the form of increased taxation, from the financial community.

MS Margaret Thatcher hopes to "get rid of socialism as a second force" in British politics in the course of one or perhaps two more terms of Conservative government.

The Prime Minister told the Financial Times in an interview on Monday that the main themes for the Tory manifesto at the next election will include reforms in education, more initiatives to renovate the inner cities, investment in nuclear power and more — much more — privatisation.

She remains committed to cutting taxes, especially at the bottom end of the income scale, but warned that if public expenditure looks like getting out of hand, the Government is prepared "to do another 1981" — when taxes went up. Mrs Thatcher said that she was "quite pleased" with the economic growth prospects at the moment — a 3 per cent next year on the Treasury forecasts — and "quite pleased with the steadily improving performance of manufacturing industry." But: "We are not quite the same as West Germany yet. I wish we were."

In a central part of the interview she argued that the economy will have to become stronger before she is ready to commit Britain to full membership of the European Monetary System, and that time will come almost certainly after the general election. Although "one does not rule out anything at the moment, that is when I would expect to have to reconsider it," she said.

The Prime Minister's main arguments against full membership at present were as follows.

First, she thinks EMS membership ought to observe the same rules. "For example, some of them have exchange control... That obviously gives them a control mechanism, which we do not have."

Secondly, while Germany does not have exchange controls, it also does not have the petro-currency problem. "When the price of oil goes down it is 100 per cent cheaper to Germany than only 50-50 to us."

"Thirdly, people think of going into the EMS believing that somehow you go in and everything in the garden will be lovely without you having to make so much effort. That is just not true."

If Britain went in along those lines, Mrs Thatcher said: "The speculators will come in... To resist them, you have to do one of two things — you have got interest rates or you have got a clear run — you will have alternative governments to this one, but if they were not socialist governments — then I do think that the prospects for this country would be transformed."

Mrs Thatcher was harking back to what she said at the start of the interview about the need for a "third term". "If people could be sure that we would never have two (parties) government, increasing control of state, increasing control of ownership... then I think the prospects for this country would be really bright... and if only we could get rid of socialism as a second force and have two (parties) which fundamentally believed that political freedom had to be backed by economic freedom and that you get the best out of a people when you delegate power down — it is not really

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An interview with the Prime Minister

Two more terms to eliminate socialism

By Geoffrey Owen and Malcolm Rutherford

son for her reluctance to go in now. "You know, we came out of the snake" (a forerunner of the present European monetary system). "It is etched on my mind. We went in and we came out. When we go in (to the EMS) we will go in strong and stay in."

To a question about the current sterling-D-mark rate, the Prime Minister said: "I think it has gone low enough." However, she refrained from making any pledge that the rate will be supported. "We may believe it has gone enough," she went on, "but it is what the market believes and you know what the market is: 95 per cent of the movement is speculation and the other 5 per cent is trade. That is why I said to you earlier that if we had confidence that we will have a clear run — you will have alternative governments to this one, but if they were not socialist governments — then I do think that the prospects for this country would be transformed."

Mrs Thatcher was harking back to what she said at the start of the interview about the need for a "third term". "If people could be sure that we would never have two (parties) government, increasing control of state, increasing control of ownership... then I think the prospects for this country would be really bright... and if only we could get rid of socialism as a second force and have two (parties) which fundamentally believed that political freedom had to be backed by economic freedom and that you get the best out of a people when you delegate power down — it is not really

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ours to delegate; the history of democracy is the history of increasing liberty from the power of the state."

She is undecided on whether to accept the terms of the teachers' agreement reached last weekend, mainly on the grounds that the best may not be sufficiently rewarded. "Differentials matter, what your top teachers are paid matters and it matters to your mathematicians and physicists that they have a chance, if they are good teachers, that they get a reasonable salary in a reasonable time, so the pay structure is absolutely critical."

Whatever the decision here, education is part of what the Prime Minister called "very much a forward movement" for the next manifesto. Inner cities will feature prominently there will be more Urban Development Corporations, with powers over the heads of the local authorities.

Nuclear power is another priority, though what kind of reactors and whether any are commissioned before the election depends on the Sizewell Report which Mrs Thatcher may have to use as her Christmas reading. (Two Christmas ago, it was the report on the fourth London airport.)

On the basic principle she is adamant: "You cannot do without nuclear power and more nuclear power... oil is at a low price at the moment. It is only a question of time as to when it goes up. Some people say five years, some would say 10, but it takes about 10 years to build and commission nuclear power stations."

Much of the rest is privatisation, and the only question is



Ashley Ashwood

the order and the form. "The longer I am in government," the Prime Minister said, "the more I know that governments ought not to have to make some of the decisions that they do on nationalised industries. If you look to see why an industry is nationalised, the only reason that I can really work out is so that government can interfere."

She was asked to be more specific. That, she replied, was not possible at present. "You look and see which are the best ones to take first and also how best to do it because sometimes you do it piecemeal, sometimes you will take a whole industry. Sometimes you will do it with 50 per cent and then... in various ways, the electricity, coal and steel industries are all possibilities."

The coal industry, she said, "really is getting into a much healthier state than it has ever been and I find myself saying in some speeches: 'Do you realise that under a Conservative Government even the nationalised industries run better?'"

It was, she said, a question of delegating power and responsibility and of spreading both ownership and management. Mrs Thatcher went to the Nissan plant in the North East

the other day. What struck her was "the attitude of the people there because of the way in which they had been treated by management, every single person knew that his job was significant."

One of them told her: "We do not have to call in the standards and quality would be every bit as good as the Japanese and the workers interrupted and said: 'No, ours will be better.'"

The Prime Minister also scattered praise on some British companies, and not only Jaguar: Carrington Virolo, for instance, "Manufacturing raw materials, like polyester cotton," she said, "is now done so much by big machines that there is no earthly reason why we cannot replicate it here from the Far East." Mr Peter Black, who makes goods for Marks and Spencer and Sir Ralph Halpern of the Burton Group received further plaudits. What they have in common is that they are

"all companies which were at one with their people." Jaguar apart, she sees the British car industry as a problem expressing her disappointment at the successful opposition to the deals involving General Motors and Ford earlier this year.

"Ford," she said, "has done a lot for this country. Ford actually contributes to the revenue of this country... It contributes to the money that we have been paying to British Leyland... What was terribly difficult to get over to people was that BL was no longer a big volume car manufacturer... whereas we had 4 per cent of the cars of the European market, the others had 11-12 per cent... there is no way in which you can spread your overheads over 4 per cent, no way in which you can do your new models."

Mrs Thatcher thought that she might have handled the matter better if she had been in power longer. "We came across — sometimes you get it in politics — a political feeling which you just cannot, at that moment, overcome, and then you have to say: 'All right, we will just have to put it on one side at the moment.'" With the assistance of Mr Graham Day, she will try again in the New Year.

The Prime Minister seemed rather less happy about tax and public expenditure than the public persona at the time of the autumn statement two weeks ago. "We have got higher public expenditure than we would have wished," she said. "Insofar as money has been spent, it is not available for tax relief. When we get that higher expenditure, as we have, then the only thing that I can do is as we did in 1981: insist that it is soundly financed."

On tax cuts, she went on: "The most urgent thing at the moment is the people at the bottom." However, she is also giving consideration to cutting the top rate of income tax from 60 to 50 per cent, if only because lower tax and higher salaries in the US could induce a further brain drain from Britain. She added: "I cannot promise that that would be top priority," though she said she was concerned about the position of scientists.

"The fact that the American top rate is coming down so much," she claimed, "will affect some of our top people, and that does give me cause for concern because, to our top scientists they can offer both a fantastic laboratory facility as well as fantastic salaries and most people do work for their family, and that is not a bad thing."

"We will have to watch that, particularly the science and technology side because so much industry is science-based and so much of the future is going to be science-based."

Mrs Thatcher also referred to the habit of Chancellor Nigel Lawson — the problem of high unit labour costs in Britain.

Asked what could be done about it, she said only: "I can only point out... look, if you lose business, people must be intended to presume the consequences of their own action." The political sting in the interview came at the end when she returned to the need to eliminate socialism as "the alternative" government. "I think you could get another realignment in British politics," she said. "After another Tory victory." After two more victories, she concluded.

BET makes bankers conform

BET, the diversified services group, has struck a blow for companies which actually pick up the tab for those "tombstone" advertisements which grace the pages of the financial press.

"Tombstones" record the members of banking consortia involved in capital raising and other deals. They are studied closely by other bankers to see who is doing what, and for whom. Traditionally the banks have determined the layout and style of the "tombstones," although the advertising bill has been picked up by the company involved.

BET has now achieved what it believes is a breakthrough in determining the typography and general style of a "tombstone" for a recent \$50m convertible bond issue lead managed by Credit Suisse First Boston.

It will look more like a BET promotional advertisement in its style than the usual bland recital of the banking pecking order. "We seem to have created quite a stir in that market place," says Neil Ryder, head of corporate communications at BET. "It gives us an opportunity to advertise that we might, otherwise, have neglected. I hope that once we have done it everyone else will take the opportunity."

These banks that do not already have a creative department should lose no time setting one up.

Out of control

Spain's socialist government suddenly found itself deprived this week of the legal weapons with which it has been pursuing people accused of smuggling money out of the country around the time it came to power in 1982.

The country's Constitutional Tribunal, upholding an appeal on Monday in one currency evasion case, ruled that the foreign exchange control act brought in by the previous government in 1979 was invalid.

Men and Matters

The law should have been approved by a majority of all the members of parliament, it said, since it affected fundamental liberties.

The decision is expected to be applied to other pending cases, including the so-called "Palazon affair," in which a former Spanish consul in Geneva, Francisco Javier Palazon, was alleged to have co-ordinated an exchange control evasion network involving several members of Spanish high society. Palazon subsequently vanished after being released on bail.

Another alleged network was uncovered this summer, leading to the resignation of an Army general who held a senior post in the Ministry of Defence.

The Tribunal's ruling could also affect some of the charges made against former executives of the Rumasa banking and business conglomerate, seized by the government in early 1983. Currency offences were among the original charges laid against Jose Maria Ruiz-Mateos, th former Rumasa chairman, who was extradited last year from West Germany.

Nuclear strike

Robert Jungk, the grand old man of the German anti-nuclear movement, was in a troubled mood yesterday. The 73-year-old writer was forced to give a press conference in Bonn to deny claims that he incited protesters to violence at a demonstration against a nuclear fuel factory 10 days ago.

Jungk, softly spoken and erudite, explained that he remained as opposed to violence as ever — but that his patience was running out with the Government over its proclaimed pro-nuclear course.

West Germany's move into the "plutonium economy" through the planned building of a commercial reprocessing plant was

storing up untold dangers of nuclear weapons proliferation, he said.

And he could understand people turning to anti-nuclear violence — though it was "politically wrong."

Jungk, who may be prosecuted for urging demonstrators to render the nuclear fuel factory at Hanau, near Frankfurt, "kaputt," voiced concern about general measures to tighten security and give the police more powers. "If Hitler had had the same technological apparatus of control as today, then the Third Reich would have been a lot worse," he said.

King restored

Next year is the 750th anniversary of the city of Berlin. Surprise, surprise, the divided portions east and west Berlin, will be celebrating separately.

East Germany is spending billions of marks to spruce up east Berlin for the occasion. Among the larger outlays has been 100m marks to re-equip and restore one of Europe's most beautiful opera houses, the Deutsche Staatsoper on Unter den Linden boulevard. The house was re-opened this week.

The opera house has a fine record of survival. It has been destroyed seven times. When it was last rebuilt from ruins in 1945 the new communist landlords dropped the inscription dedicated to Frederick the Great over the main portal. It may be a sign of changing times in east Europe that now, 30 years later, it is back again in golden letters — conveying in Latin the message: King Frederick for Apollo and the Muses.

But the authorities have not gone so far as to restore Frederick's monogram over the first tier balcony in the position of honour. Instead there is a ham-

mer end compass, the east German style. Unlike the rebuilt Dresden opera house opened last year, all the fixtures and fittings in the east Berlin house have been produced in the country, except for ideologically acceptable Cuban marble in the vestibule.

Opening night guests marvelled at the exquisite handmade silk tassel wallpaper, and the delicately gilded mirrors and chairs.

Political view

So the BBC thinks it has trouble with Norman Tebbit. Live television is an even far perilous affair in a country like Italy where power is so sensitively divided and every political party is obsessed with the treatment it receives from the magic eye. Casting even one small pebble into the smooth waters is liable to cause an almighty splash — as the plump and distinctive, bearded, Italian comedian, Beppe Grillo, is discovering.

Grillo's sin was to rehearse one act but perform another during the live broadcast of the top-rated spectacular on RAI 1, "Fantastico."

He decided to have a go at the politicians, including Prime Minister, Bettino Craxi, still highly sensitive because of criticism of the number of family and friends who accompanied him on a recent trip to China.

In Peking, joked Grillo, Craxi's socialist party deputy asked him if it were true that all one billion Chinese were Socialists. "Yes," confirmed the Prime Minister. "Then who is left for them to rob?" asked his colleague.

Pretty tame stuff, you may think — and none of Grillo's other jokes were exactly side-splitting. But they were sharp enough to bring screams of outrage from across the body politic.

The newly appointed Socialist president of RAI, Enrico Manca, was put in the job to prevent this kind of excess, and he is now leaning on his Christian Democrat director-general to "do something about it."

Observer

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"CHEQUEMATE the taxman in one beautiful move..."

Nearly 12m blacks live in what are, on the whole, poor, overcrowded and remote homelands created as part of the grand strategy of apartheid...

Separated from the larger Xhosa-speaking homeland of Transkei to the north by a narrow strip of 'white South Africa'...

At the end of the apartheid era, Ciskei's overgrown and overpopulated white Republic...

On March 1, 1986, the Ciskei abolished company taxes, de-regulated the small business sector, reduced personal tax to a maximum of 15 per cent on incomes above R8,000...

South Africa's homelands



The supply-siders of Ciskei

By Anthony Robinson

per cent subsidy on mortgage rates for key managerial personnel, cheap electricity, and a 10 per cent price preference on government tenders...

While jobs are being created at Dimbaza and the other growth areas, some of the worst unemployment is to be found in townships like Mdantsane at the southern edge of the homeland...



development of the new Ciskei capital of Bisho on the hills above King William's Town...

Opponents of the homelands system in general, like the African National Congress (ANC), see states like the Ciskei as a key element in Pretoria's policy of divide and rule...

Existing proposals are for two distinct kinds of service. First, a railway shuttle carrying vehicles from Chertton near Folkestone to Fretton, south-west of Calais...

The other rail service is of a more conventional mould—the operation of through services of both freight and passenger trains by BR and its French counterpart SNCF...

I have illustrated how this could be achieved in my contribution to a book to be published on December 11. The essence of the idea is to view the track and the trains as separate entities for ownership purposes...

The Channel Tunnel

Time for competition on the tracks

By David Starkie

NOW THAT Eurotunnel has raised an initial £206m in the financial markets (and Parliament matters are well on the way to being finalised) this is an opportune time to consider one aspect which so far has received less attention than it deserves...

Existing proposals are for two distinct kinds of service. First, a railway shuttle carrying vehicles from Chertton near Folkestone to Fretton, south-west of Calais...

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railway which are truly a natural monopoly from other hits (train services) for which competition can provide the spur to both increased efficiency and higher quality of service...

The last analogy is the more useful because of the scheduling and safety implications. Airlines arrange for access times in the terminal runways and immediate air space; in effect they rent this access...

Such an opportunity might attract a number of interests including inclusive tour companies. Some, like the Thomson organisation, have purchased large fleets of aircraft to carry their inclusive tour bookings...

Privately operated freight trains might appeal to inter-

nationally-minded freight forwarders, carriers of express freight and parcels and to multi-national transport conglomerates...

To enable the competitive potential of this approach to be realised it will be necessary for the Government to establish and enforce clear "rules for entry" and to discourage final agreements which prevent competitive use of the tunnel by entrants other than BR/SNCF...

Introducing competing rail services through the tunnel would have the advantage of reducing BR's need to invest in rolling-stock and locomotives leaving it to concentrate its limited capital resources on the basic infrastructure...

Intellectual asset stripping

From Mr E. Parker. Sir—On August 20 you reported that BTR had sold to Goodyear the US A British company that has developed a computerised tyre assembly system which could revolutionise the tyre industry worldwide...

Insider trading

From the Chairman, Wider Share Ownership Council. Sir—Clive Wolman (November 15) is less than fair to the City in stating that right up to the 70s insider trading was widely condoned and indeed regarded as an acceptable "perk"...

Letters to the Editor

for their own account. Their existing portfolios could be transferred to corporate or other approved trustees for the period of their employment...

Local authority services

From the Chairman, Association of Metropolitan Authorities. Sir—I was most concerned to read the article "Governments' tough on tenders" (November 12) and I would like to put the AMA's point of view...

to control directly the services for which they are responsible. Local authorities will be left unable to guard against private monopoly and potential default of a contractor...

Councils will be faced with inescapable extra costs incurred by the tendering process itself. The track record of private companies in local government and the NHS is a consistent catalogue of declining quality and contractors incurring financial penalties...

AMA authorities have considered the option of privatisation fully and the vast majority are not convinced that it will lead to better services and a better deal for local people...

Labour and industry

From the Honorary Secretary, Labour Finance and Industry Group. Sir—In his article about Labour's industrial policy (November 13) David Thomas commiserates with the Labour Party that it lacks a dialogue with industrialists and managers...

agement matters and also publishes them from time to time. As a result, Labour's industrial policies have been discussed with practical managers and industrialists...

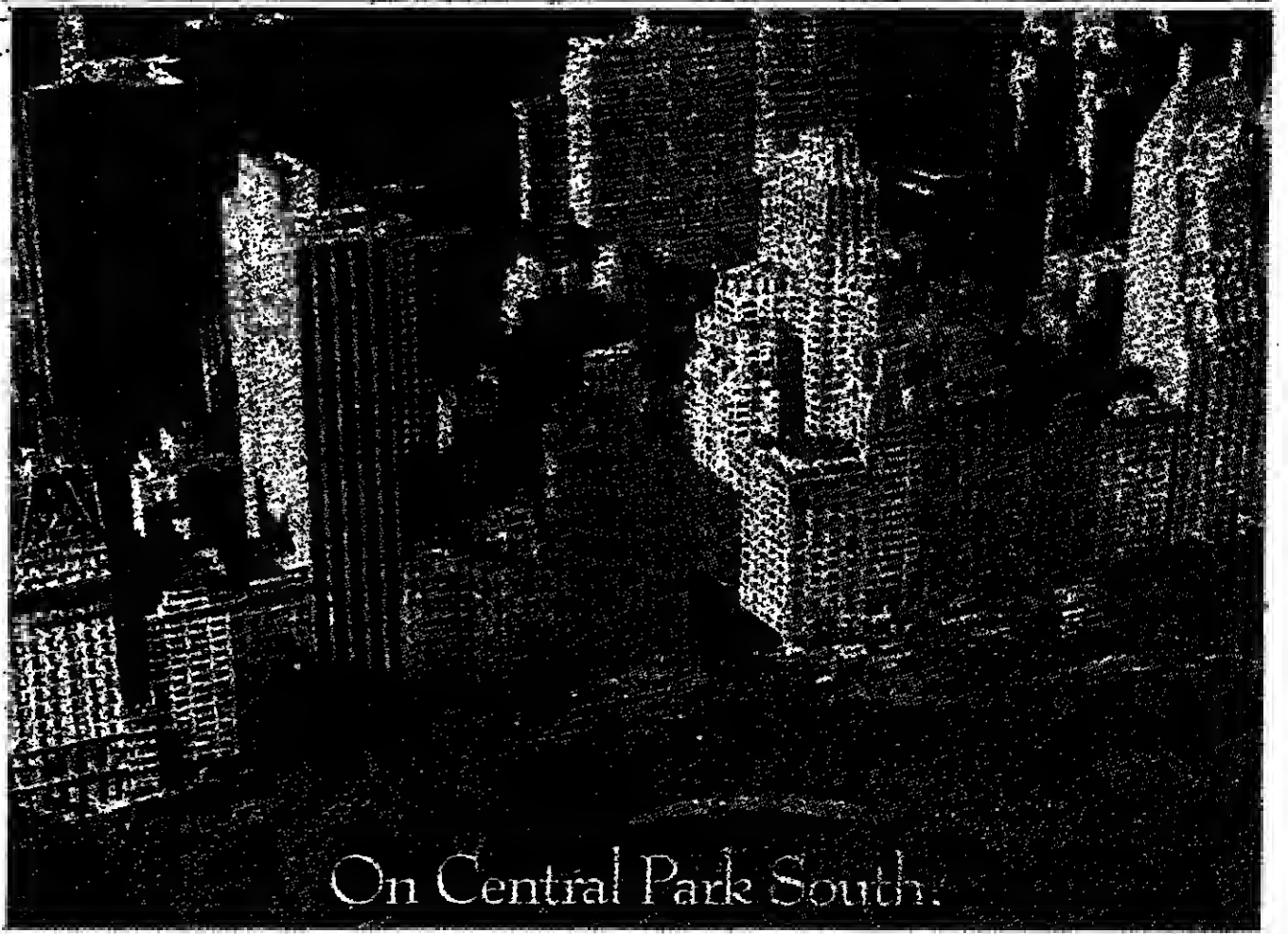
Drawing the line

From Mr M. Meadmore. Sir—The map accompanying Tim Cooney's article on the Falkland Islands dispute (November 12) is the best graphic representation in any British newspaper of the various south-west Atlantic maritime zones...

The legal entitlement of Britain and thus the extent of the disputed maritime area, however, is somewhat exaggerated in the map. Britain is not making a claim to Argentine waters: the Foreign Secretary made clear on October 29 that the Falkland Islands' 200 mile fisheries limit is subject to delimitation etc. to be equitable on median line with Argentina...

The new strategy

From Mr R. Heinemann. Sir—The Chancellor's statement appears to have given the original Tory economic strategy a decent burial some time after its death. The original contention was that public spending tended to create excess money supply resulting in higher inflation...



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All-round drop in executive opportunities

BY MICHAEL DIXON

UK ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF (12 months to September 30)

	1985-86		1984-85		1983-84		1982-83		1981-82	
	Posts advertised	Share of total %	Posts advertised	Share of total %	Posts advertised	Share of total %	Posts advertised	Share of total %	Posts advertised	Share of total %
R & D	4,263	22.8	7,179	17.7	7,338	19.3	6,702	20.9	4,234	17.4
Marketing	4,808	18.3	4,564	16.2	4,932	17.8	4,257	19.5	5,025	20.9
Production	5,152	15.5	7,267	18.0	4,767	17.3	5,073	17.1	1,964	16.5
Accounting	4,368	19.2	4,492	16.1	5,923	15.2	5,079	15.9	4,333	18.0
Computing	3,724	11.2	4,304	10.6	3,958	10.2	2,715	8.5	1,748	7.3
Personnel	700	2.7	943	2.4	1,057	2.7	855	2.7	593	2.5
General Mgt.	1,777	3.0	1,308	3.2	1,313	3.4	1,271	4.0	1,131	4.7
Others	5,484	16.5	6,407	15.8	5,503	14.1	3,442	11.4	2,987	12.5
Total	33,236	100.0	40,434	100.0	38,991	100.0	31,994	100.0	24,015	100.0
Oct-Dec	8,596	25.8	8,893	22.0	8,560	22.0	6,468	20.2	4,986	20.8
Jan-March	8,804	26.5	11,624	28.7	10,437	27.2	9,100	28.4	6,617	27.5
April-June	8,772	26.4	10,412	25.8	10,034	25.8	8,340	26.1	5,590	23.3
July-Sept	7,464	23.1	9,507	23.5	9,760	25.0	8,086	25.3	6,822	28.4

"IT IS an ill wind turns nose to good," observed the poet Thomas Tusser. But the wind currently chilling the advertised demand for executives and higher-ranked specialist staff in the United Kingdom seems to be an exception—as witness the table alongside.

It is drawn from the latest of the checks of job advertisements which have been made every quarter-year since 1989 by the MSL International recruitment consultancy. The figures show that over the 12 months to September 30 none of the eight categories of executive-types listed has done as well as it did in the previous 12-month period.

The award for the least bad performance goes to accounting and finance specialists with a decline in demand of only about 2 per cent. Even there, however, the fact that the fall has been so minor is attributed by the consultancy's managing director, Scott Anderson, to the "knock-on effect all over the whole UK of the big bang recruitment frenzy."

If so, once the said frenzy is straitjacketed, what next? Although some of the Jobs column's best friends are accounting and finance people, there is one development I would not wish to see over the coming months. It is the demand for those specialists starting to go up while the call for all the other types continues to slide down.

Whatever the decline in the

intake of higher-ranked staff by companies in Britain, no sign has reached me yet that they are again taking the axe to managerial workers. But if the development I mentioned began to occur, I would start to have fears. Experience over the years has suggested that the massing of accounting people at the tops of companies, like the arrival of chickens in nests, is a sign that other kinds of creature are about to be ejected.

Even without that sign, the trends in the advertised market are less than propitious. The

demand for computing specialists is down between the latest two 12-month periods by 13.5 per cent, and for "Others"—including lawyers, economists and various internal consultants and such—by 14.4. The production-management group has suffered a 21.5 per cent drop. Worst of the lot, the number of openings for research, design and development staff has plummeted by over 40 per cent to a total close to that of 1981-82 when the UK executive employment market was only just starting to recover from the worst slump

yet recorded. One reason may be that in former times a lot of people coming in the R and D category were recruited by companies in and around the oil business. What has been happening to the oil industry's demand for upper rankers is sadly spectacular. In the 12 months to the end of September 1985 it was 4,367 jobs-worth. Since then it has totalled only 2,250. Moreover it is evidently continuing to fall. From 920 in the final quarter of last year, it went to 659 in January-March, 352 in April-June, and

to only 289 in July-September. The overall drop in recruitment by other high-technology industries has been still greater. Over the two best 12-month periods it fell from 6,151 UK advertised openings to 2,968. But it mercifully seems to have stabilised at that level.

Fortunately the position is better in the only two other industries on which MSL International makes particular checks. The higher-rank intake of food, drink and tobacco is down between the two 12-month stretches from 1,150 to 994. But retailing's demand is up a bit — from 1,088 to 1,125.

and car among the other beneficiaries. Inquiries to Mr King at 168 Sloane Street, London, SW1X 9QJ; Telephone 01-235 0188.

His fellow director, John Graham, who works from Cambridge, is seeking an unspecified number of skilled selection consultants with wide acquaintance across industry in general, as distinct from just the high-technology parts. Salary indicator is up to £30,000, again with profit-share and car. Inquiries to Mr Graham should be addressed to 1a, Rose Crescent, Cambridge, CB2 3LL. Telephone 0223 311316.

Counsellor

THE GOOD sign of headhunters seeking their own kind may seem to be a bit tarnished by today's last offer. It comes from Peter Rooke at London-based Executive Action — a careers consultancy, which is usually a euphemism for a redundancy counselling concern.

But Mr Rooke assures me that he and his colleagues are retained to give advice on career matters to people who are securely employed as well as those on or beyond the slide. Candidates should have experience in senior management, and be skilled negotiators. Salary around £15,000 with bonus expected to add at least another £10,000.

Inquiries to 37, Queen Anne St, London W1M 9FB; tel 01-631 1110, telex 295693.

Searchers

WHAT seems even more fortunate is that although advertised recruitment is falling, for the second week in succession the Jobs column has been asked to find consultants for an agency specialising mainly in unadvertised recruiting of executives.

The openings are with CRC International which has sprung from what, by the standards of the headhunting trade, is the old if not venerable Cambridge Recruitment Consultants. CRC's chief, Geoffrey King, wants someone with extensive contacts in high-tech companies as well as thorough understanding of executive search operations at very senior levels, to join him at the consultancy's London base. The salary indicator is £40,000 with profit share

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25/30

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Our client is a top tier British merchant bank with a significant and rapidly growing presence in international markets. The Equity Product Manager will join a small and highly professional marketing unit responsible for the origination and distribution of new equity and equity-linked issues in Europe. Playing a critical role in the bank's development of these markets, the successful candidate will be concentrating on new business and should therefore have a high achievement level, demonstrable marketing ability and in-depth knowledge of the equities market.

TRADED OPTIONS UK EQUITY MARKET

Our client, one of the major international merchant and investment banking groups, has a history of innovation across a wide range of products and markets. They now intend to further develop their activities in Traded Options. There is likely to be a significant salary premium for individuals who can offer expertise in this growing market, particularly in the context of UK equities.

Contact: Joanna Davies

BANKING

FIXED INTEREST FUND MANAGEMENT £25-35,000+

Two of our clients wish to recruit a young, experienced and ambitious Fund Manager within the Fixed Income and Cash Management area. Each institution is a leader in its field with very substantial funds under management, largely in US\$ and multi-currency. Outstanding terms will be offered to an individual who has a successful track record of 2-3 years in this field, preferably with a macro-economic background.

Contact: Joanna Davies

YOUNG COMMERCIAL BANKERS

Cross over to Merchant Banking
Our client, a prime merchant bank with a dominant presence in all major markets. The further development of its Banking Division has created openings for top-quality young graduate bankers to develop their careers in the context of an integrated banking and securities group. Ideal candidates will be aged mid 20's and have successfully completed a major US bank credit training course. Fluency in a European language would be a decided asset.

Contact: Joanna Davies

TREASURY

TREASURY SERVICES MARKETING to £25,000

Our client, one of the prime name British banks, runs a very active and successful dealing activity. It is currently increasing its dealing room focus and expanding the range of treasury instruments. With full accountability for a geographical area on the corporate FX desk, the successful candidate will be marketing to a range of multinational clients, providing traditional treasury services alongside options, futures swaps and capital market products. A proven track record will be essential, most likely gained with a major international merchant bank engaged in a full range of treasury services.

Contact: Felicity Hether

SPOT F/X DEALER up to £40,000

One of the world's largest banks is looking for a young ambitious spot dealer, who has at least two years experience of trading an active spot book in a major currency. This function is within a well established treasury operation which offers considerable opportunity for career growth.

Contact: Joanna Davies

Anderson, Squires Ltd., Bank Recruitment Specialists
127 Cheapside, London EC2V 6BU

01-606 1706

Anderson, Squires

Capital Markets

A major U.S. Securities House, which is currently expanding its Fixed Income Division as part of an ambitious growth programme in London, requires professionally-minded individuals in the following areas:

TRADING

Candidates should have at least two to three years' experience in the Securities Industry, although not necessarily in a Trading activity. Numeracy and the ability to work effectively in a fast-paced environment are essential. A Degree in a business-related subject would be an advantage.

INSTITUTIONAL SALES

Dynamic, highly-motivated individuals who have three to five years' Fixed Income Sales experience are required. Candidates should be able to demonstrate the ability to develop new account relationships and relish the challenge of a "Start-Up" operation.

OPERATIONS

A senior person with a minimum of five years' experience, a thorough working knowledge of Euroclear/Cedel and an understanding of P.C.s and computerised information systems is required for the Settlements area. The position would suit candidates who have a "shirt-sleeve" approach and who can demonstrate the ability to manage future expansion.

Highly competitive remuneration packages will be negotiated according to experience. Please send curriculum vitae and salary history to: Box A0339, Financial Times, 10 Cannon Street, London EC4P 4BY



Commodity Appointments Ltd, 8 Sigmund House,
118 Shaftesbury Ave, W1V 7JL
Tel: 01-438 1701 Telex: 884038

COCOA TRADER-MANAGER

An International Trade House with offices in major centres is looking for an entrepreneur-type individual, who can provide profitable growth and leadership for a well established Cocoa Operation.

Apart from a proven record in the business the key characteristics of the successful applicant will be strong leadership qualities, the presence and ability to represent and promote the activity towards the outside at all levels, and interface closely and constructively with other divisions as well as the corporate management.

This is a Board level appointment. In the first instance write or telephone Mr Graham Stewart or Mr Ken Jacob at Commodity Appointments.

The following Accountancy Appointments will be appearing

Tomorrow:

FINANCE DIRECTOR

TREASURY ASSOCIATE

GROUP INTERNAL AUDITOR

CORPORATE FINANCE/ANALYST

GROUP ACCOUNTANT

FINANCIAL MANAGER

FINANCIAL CONTROLLER

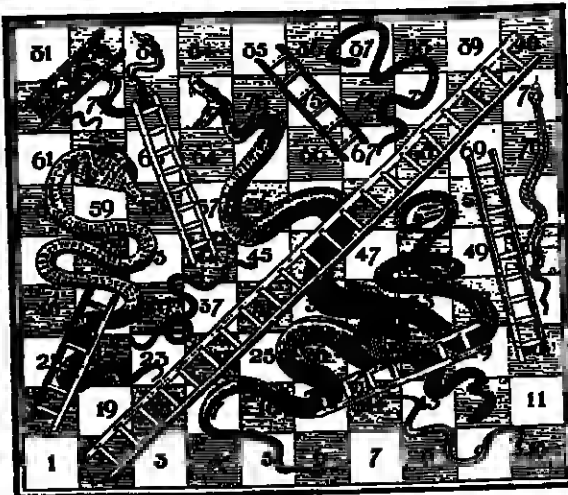
... and many more!

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
LONDON · FRANKFURT · NEW YORK

IF YOU'VE REACHED THE TOP RUNG, MAYBE YOU SHOULD BE LOOKING FOR A LONGER LADDER.

Fidelity Investment Services is a company which offers outstanding potential for the future and which is determined to become one of the key players in the financial services industry of the 1990's.

To help us reach this objective, we now require several senior directors who may already be running Unit Trust companies, or who hold equivalent positions elsewhere in the financial services industry, such as insurance, stock-broking, financial advertising or product and business development. In all cases you should be at the top of your profession and ready to take on a new challenge. We can offer you the backing of massive financial



resources (assets under management total £40 billion worldwide), a dynamic management team and a very successful track record.

You will have the satisfaction of developing your own ideas and seeing them through to fruition, together with the reward of a substantial equity share and a remuneration package that will be amongst the highest in the industry.

So if you're interested in climbing even higher and would like to talk further in the strictest confidence, please contact Barry Bateman, Managing Director, at Fidelity Investment Services, 25 Lovat Lane, London EC3R 8LL.



BERMUDA - BOSTON - HONG KONG - JERSEY - LONDON - NEW YORK - SAN FRANCISCO - SYDNEY - TAIPEI - TOKYO

COMPLIANCE

NatWest Investment Bank, formed from the merger of County Bank, Fielding, Newson-Smith and County Bisgood, is one of the UK's fastest growing financial institutions.

We are expanding our Compliance Team to ensure that our business operations are conducted within the requirements of the new Financial Services legislation and of the various regulatory bodies.

The role of the Compliance Team is to advise the Bank on registration and regulation of investment business, ensure that all its employees understand the statutory and regulatory constraints relating to their area of operation, and to monitor the Bank's activities ensuring that they are within regulatory requirements. Members of the Team need to become conversant with all the business areas of the Bank and to develop an overview of its activities worldwide.

We are looking for candidates with relevant experience on which to build, whether from the securities markets, the professions or elsewhere, who are keen to be involved in further developing this crucial function. They should have good commercial sense, be determined and creative, and have the ability to work at all levels within the Bank, whether on an individual basis or as a member of a team.

An excellent salary package is offered, including preferential rate mortgage and non-contributory pension scheme.

Applications, with full career details, to: Rodney Lonsdale, Director of Personnel, NatWest Investment Bank, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2ES.

© The NatWest Investment Bank Group

MARKETING OFFICER FINANCIAL INSTITUTIONS

To £25,000 + Car

This major U.S. bank successfully markets a comprehensive range of product and services to Financial Institutions, coordinating the resources of both the commercial and merchant banks, as well as specialist clearing and custody services.

This position carries full marketing responsibility, with particular emphasis on the securities industry. Candidates will ideally be

young account officers servicing this sector within an international bank. The role offers broad customer contact and a chance to participate in product development in one of the fastest growing specialist banking sectors.

Interested candidates should phone Kevin Byrne, or write enclosing a C.V. to the address below. All applications will be treated in strictest confidence.

BBM

2 London Wall Buildings, London Wall.

London EC2M 5PP Tel: 01-628 4200

ASSOCIATES

CONSULTANTS IN RECRUITMENT

MARINE FINANCE AND STATISTICS

£13,150-£14,500 Central London

A vacancy exists within our Head Office Marine Department for an Assistant Superintendent to assist in the production of worldwide Marine Management financial and statistical information. The jobholder will also supervise the handling of all taxation aspects of Foreign Agency Accounts. The position could offer the right person an excellent opportunity for career progression.

Applicants, who should be qualified as an ACCA, must have a thorough knowledge of financial accounting, business statistics and mathematical techniques, and have gained extensive experience in marine accounting. Experience in marine underwriting would also be an advantage, although this is not essential.

The commencing salary will be dependent upon the level of experience but will be within the above range. In addition, the Company offers an attractive benefits package which includes non-contributory Pension and Permanent Health Insurance Schemes and preferential mortgage. Applicants should apply in writing, including a comprehensive curriculum vitae, to:

F.P. Barton Esq., Marine Administration Manager,
Eagle Star Insurance Company Limited,
9 Abchurch Lane, London EC4N 3LD.

Eagle Star



EXECUTIVE JOB SEARCH

Are you earning £20,000-£100,000 p.a. and seeking a new job? Connaught's discreet and successful Executive Marketing Programme provides professional excellence in helping you to identify those unadvertised vacancies. Contact us for a free and confidential meeting to assess if we can help you. If you are currently abroad ask for our Executive Expert Service.

32 Greville Row, London, W1 **Connaught** 01-734 3678 (24 hours)

The Executive Job Search Professionals

WILLIAMS DE BROE

We are extending our research service to cover Australian securities and need to recruit a graduate with knowledge of accountancy to work in our London office. He/she must have first-hand knowledge of the country and its economy and markets. A stockbroking or investment management background would be desirable.

Please write in confidence to Peter Clarke at—
WILLIAMS DE BROE HILL CHAPLIN & COMPANY LIMITED
Pinners Hall, Austin Friars, London EC2P 2HS

Mike Pope and David Patten Partnership

BANK RECRUITMENT
CONSULTANTS

Chief Dealer (40+)	to £45,000
Senior Spot Dealers (4 Positions)	to £40,000
Treasurer (35-50)	to £35,000
Senior Forwards Dealer	£Neg
Sterling Dealer	£Neg
Manager FX Back-up (30-35)	to £25,000
Account Officer—Trade Finance	to £20,000
Credit Officers	to £20,000

PLEASE PHONE
MIKE POPE 01-247 8314
Bank Chambers, 2nd Floor
214 Bishopsgate, London EC2

General/Financial Appointments ... Wednesdays

Accountancy Appointments
... Thursdays

J.P. 11/15/86

New Business Producer

CREDIT & POLITICAL RISKS INSURANCE

BAIN DAWES CREDIT LIMITED

This is a superb opportunity to contribute to further growth by the Credit team who enjoy an excellent reputation in this competitive Insurance market.

You will certainly need ambition and a determination to succeed in developing new business opportunities for our full range of credit and political risks insurances from UK and overseas clients. Probably in your 20's, with a good technical grounding in credit insurance, you will ideally have had some selling exposure.

An attractive salary, commission and benefits package, including company car, will be offered for this London based appointment.

Please write enclosing your cv to:
P.J. Hargrave, Bain Dawes plc, Bain Dawes House, 15 Minorities, London EC3N 1NJ. Tel: 01-481 3232.

Bain Dawes
INTERNATIONAL INSURANCE BROKERS

Major Stockbroker

Personnel Officer

25/30 to £25,000

Our Client, a major stockbroker and now an autonomous part of a leading international banking group, seeks a Personnel Officer to work with the newly appointed Director of Administration on the development of a Personnel function.

They seek a man or woman who is a graduate member of the IPM and who already has at least two years' working in Personnel in a financial institution - ideally a stockbroker. The job holder can anticipate a considerable degree of responsibility and must be a person with high self-motivation.

In addition to a generous salary, there is a discretionary bonus element of up to 20% and other benefits. The company is entering an interesting development phase which will include a move to new offices and the recruitment of additional staff as the business expands.

Please apply in writing giving full details of age and experience, qualifications and money expectations to James Curtis, quoting ref. 778, at Overton Shirley and Barry, 64 Queen Street, London EC4R 1AD. Tel: 01-248 0355.

Overton Shirley & Barry
INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

Gilt Trader

We are looking for an enthusiastic young person with 2/3 years trading experience in the Gilt Market and a knowledge of Dealing in Gilt Futures to join our Treasury Division.

Applicants will be in their twenties, keen to extend their trading experience - a good mathematical qualification will be beneficial.

We offer an attractive salary according to age and experience and the benefit package includes mortgage subsidy, low cost personal loans, BUPA and lunches.

Please write with full curriculum vitae to:
Mrs Elaine Douglas, Assistant Manager - Personnel,
Kleinwort Benson Limited,
20 Fenchurch Street, London EC3P 3DB.

Kleinwort Benson Group

Investment Manager

Scotland 25 - 30 to £25k + package

My client is the investment management division of a medium size Life Office which over the past few years has established itself as one of the sector leaders in the UK with four of its funds having achieved the No 1 position in their sector.

They now wish to set up an Overseas Fund and wish to recruit a talented overseas specialist to join this young and spectacularly successful team. The key tasks will be to set up, develop and manage the trust to equal the performance of the other funds, and to provide a specialist overseas function to the team.

You will be a graduate with several years investment experience with a first rate track record of overseas fund management, possibly Japanese, European or the U.S. This is an ideal opportunity to make your name with responsibility for a start up situation but with the significant help of having four of the company's multi-million pound funds already well established at the top of the performance league.

The remuneration package includes a performance bonus, non-contributory pension, car scheme, mortgage assistance and if relevant a relocation package.

To apply, send a detailed cv stating current salary to Douglas Kinnaird CA quoting ref: 96/1095/FT or telephone his secretary for an application form.

PA Personnel Services

Executive Search • Selection • Psychometrics • Remuneration & Personnel Consultancy

Fitzpatrick House, 14/18 Cadogan Street, Glasgow G2 6QP
Telephone: 041-221 3954 Telex: 779148

Business Development

North of England Salary Negotiable

We invite applications from successful corporate banking professionals for an important new position with a prime European bank currently expanding its activities in the North of England.

Based in Manchester, the individual appointed will be responsible for identifying and developing business within a designated geographic area and will market a full range of banking products to a wide variety of industry sectors.

The successful applicant, probably aged 27-35, will preferably be a graduate with at least 5 years' corporate banking experience and a proven track record marketing to large and middle market corporates. He/she will be self-motivated and entrepreneurial and have the personal qualities to play a major part in the bank's development. Longer-term career prospects within the bank's London office or overseas are excellent.

The remuneration package is negotiable, according to age and experience, and relocation will be provided where necessary.

Those interested should contact Fiona Collins in London on 01-404 5751 or Paul Lyons in Manchester on 061-228 0396 or write, enclosing a comprehensive curriculum vitae, to Michael Page City, 39-41 Parker Street, London WC2B 5LH quoting ref: 3701.

MP
Michael Page City
International Recruitment Consultants - London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Capital Markets

STERLING C.P. SALES
A major UK merchant bank with a strong presence in the Sterling Markets seek an experienced individual to place and trade Sterling commercial paper.

TRADER US CORPORATES
A US bank with an established sales team seek a US corporate trader with a minimum of 2 years experience.

EURONOTE/ECP SALES
A market leader in short-term paper, active in both the primary and secondary markets requires an individual with at least one year experience of money market sales to join the banks sales team.

For further details please write or telephone in strictest confidence, quoting reference SL300

Rochester Recruitment Limited
21A College Hill London EC4R 3EP
Telephone: 01-248 8546

Account Manager

Not less than £23,000 plus benefits

The Hongkong and Shanghai Banking Corporation, one of the world's leading International Banks, is widening its credit services. The expansion has created a challenging opportunity for an Account Manager in the Bank's Credit Division.

This is an important role marketing the Bank's extensive range of services to corporate clients throughout the UK. You will be part of a credit and marketing team at the forefront of developing the Bank's business.

Aged about 30 and, ideally, a graduate with the AIB diploma, you should have at least 5 years' corporate lending experience gained in a major bank. General credit skills are essential, including the ability to research a market, to analyse a company's performance and to sell the Bank's services. Strong personal qualities, particularly self-motivation, determination and initiative are essential to assist the development of client relationships.

In addition to the salary indicated, an attractive benefits package includes non-contributory pension scheme, car, mortgage subsidy and BUPA.

Please write enclosing full personal and career details to:
Assistant Manager Personnel,
The Hongkong Bank Group,
PO Box 199, 99 Bishopsgate
London EC2P 2LA.
Tel: 01-638 2366, ext. 2005.

Hongkong Bank
The Hongkong and Shanghai Banking Corporation

Fund Manager Equities

The Municipal Insurance Group is a large UK general insurance company. Through its M.I.A. subsidiaries it also has interests in life assurance, unit trusts and property development. Total funds under management are approximately £1,000 million.

The Westminster-based investment team is currently small but has a successful track record in both UK and overseas markets. Future expansion plans mean that we now wish to find an additional Fund Manager for selected portfolios of UK equities.

The ideal candidate is likely to be a graduate, in his/her early or mid-twenties, with around two years relevant experience in a similar environment. Consideration will also be given to individuals with a background in investment analysis who now wish to make a career move into fund management.

Prospects for advancement within the Group are good and we offer an attractive remuneration package. Initial salary will be approximately £22,000 and other benefits include a company car, subsidised mortgage, private medical cover and contributory pension scheme.

Applications in writing and accompanied by a detailed CV should be sent to:
M.G. Lewis, M.A., F.I.A.
Municipal Mutual Insurance Limited,
37/41, Old Queen Street,
London, SW1H 9JG.

We are an equal opportunity employer.

New Issues Syndications Officer

Major International Bank

City of London Up to £32,500

Our client, a major participant in the New Issues market, is actively seeking to appoint a dynamic New Issues Syndications Officer. Rapid progression into a management role is anticipated.

Reporting to the Deputy General Manager, your responsibilities will encompass servicing North American clients, close liaison with our client's New York office, and maintaining contact with other City Issuing Houses. Some travel to overseas markets is envisaged.

Probably aged 27-32 and educated to graduate level, you will have gained one to two years sound experience working within the New Issues Department of a major House. A legal background would be an additional advantage.

Please telephone or write in confidence to Leslie Bensley quoting Ref: LB105.

Lloyd Chapman Associates
International Search and Selection
160 New Bond Street, London W1Y 0HR
Telephone: 01-409 1371

Jonathan Wren

SYDNEY LONDON HONG KONG

Our client, a prime US investment banking institution and a major innovative force in the field of international securities trading and processing, seeks to strengthen and expand its securities processing management team as follows:-

SUPERVISOR - EUROBOND SETTLEMENTS c£20,000
A minimum of 3 years eurobond supervisory experience is sought combined with extensive technical knowledge of the eurobond market. The other key criteria include excellent people management ability, first class oral and written communication skills, the ability to operate effectively under pressure for extended periods, commitment and potential for personal career growth. *Contact Bryan Sales.*

BRANCH LIAISON / TRADE DESK SUPPORT c£20,000
To provide daily supervision and liaison for overseas and head office locations. The role requires detailed knowledge of trade entry and settlement procedures, clearing related enquiries and other support functions including interest claims. Running a clerical support team, you will offer, as above, extensive man-management capability, strong technical skills, covering all aspects of the securities industry and the will and ability to succeed in a fast moving, commitment related environment. *Contact Bryan Sales.*

SUPERVISOR - GILT SETTLEMENTS c£20,000
An outstanding opportunity for an individual with extensive technical knowledge of the gilt market, good management skills, organisation and planning ability, to supervise, control and motivate the gilt settlements area. The successful candidate will have at least 3 years gilt supervisory experience and the ability to operate efficiently under pressure. The position offers excellent potential for personal growth. *Contact Ann Winder.*

All the above appointments offer a competitive salary and performance bonus, plus a full range of excellent fringe benefits.

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266

IV

CORPORATE FINANCE MARKETING

Scandinavia and Spain

Salomon Brothers International Limited seeks two dynamic young professionals. Successful candidates will combine a strong analytical capacity with proven first-hand knowledge of the capital markets and corporate finance services as they relate to the Scandinavian or Spanish markets.

Operating out of our London-based international Corporate Finance Department, these two individuals will be responsible for marketing our broad base of services to clients throughout the Nordic countries and Spain, respectively.

For the Scandinavian Group a finance background of 4-7 years is required. Some direct experience in dealing with corporations - whether in marketing products for a financial institution, or working in the finance area of a corporation - would be a distinct advantage.

For the Spanish marketing appointment, 2-4 years overall experience is required which must include marketing products for a financial institution. You should ideally be a Spanish national.

A sound knowledge of the capital and money markets and swaps are essential in both cases - and preferably also of equity products and M&A.

Fluency in English and Swedish or Spanish are prerequisites.

As a highly visible leader in the rapidly growing international capital markets, we can provide a fast-paced, stimulating environment with scope for rapid advancement. A highly attractive starting package will be negotiated, to reflect fully both your expertise and potential.

Please write in confidence, with full career details, to:
Salomon Brothers International Limited
 Pandit Critt, Employment Manager - Human Resources, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

Leading Futures Broker

REQUIRES
Experienced Sales Staff
 FOR RAPIDLY EXPANDING PRIVATE CLIENTS DEPARTMENT

Replies in strictest confidence to Box A0338
 Financial Times, 10 Cannon St
 London EC4P 4BY

AT A CAREER CROSSROADS?

Hill Samuel Investment Services Ltd requires Executives aged 30 to 50, with a background in industry, Commerce or the Professions, to be trained to offer a wide range of Financial Services to Business, Professional Intermediaries and individuals.

Send CV to:
 David Hill
 Hill Samuel Investment Services Ltd
 1 Maddox St, London W1M 9WA
 or Ring 01-434 4635

FUTURES

Expanding futures and options commission house requires

SALES/MARKETING PERSONNEL

with private client experience
 Reply in strictest confidence to:
 Box A0285, Financial Times
 10 Cannon St, London EC4P 4BY

TRAINEE BROKER

A vacancy has arisen for a Trainee Broker. The successful applicant will be aged 24 plus, of smart appearance and ambitious. Excellent prospects offered.

CAREY WILSON 01-499 9328

CORPORATE TREASURERS

Do you know about futures and options?

For those experienced in Corporate Finance and Treasury Management, the list of futures and options may appear endless.

But if you are looking for the unique combination of variety and experience within a meritocratic environment, we believe there's only one - Coopers & Lybrand Associates.

Work with us and you'll work at home and abroad on several different projects a year - mostly at companies boasting billion pound turnovers. You can expect to gain in-depth knowledge of foreign and domestic treasury procedures and financing techniques which will give you the competitive edge when it comes to career progression.

Naturally, the demands on your ability will be considerable. Especially adept at imposing creative and practical solutions on complex strategic problems, your self-belief and ambition will therefore be crucial to your success.

If you are aged 26-36 with a degree or an MBA and have spent at least the last two years in the treasury field, we'd like to talk to you.

And, if you are interested in joining a company where people find success, please send your resume, including a daytime telephone number, quoting ref. F 01/35, to Bob Lockwood, Coopers & Lybrand Associates, Plumtree Court, London EC4A 4HT.

Coopers & Lybrand

UK Equity Sales

London and Tokyo

Due to an increase in international business our client needs to add to their sales team dealing with Japan. In LONDON, the requirement is for a person with a sales or research background to sell UK Equities to Japanese institutions. Ideally, candidates should speak fluent Japanese and have a track record of successful client contact, not necessarily acquired specifically in UK Equities.

In TOKYO, the requirement is for an English speaker, with a good research-based knowledge of UK Equities. The ability to speak Japanese would be an advantage. Based initially in Tokyo, there will be a need for frequent travel.

These two opportunities carry substantial responsibilities and are critical to the development of our Japanese business. Career prospects are excellent and the reward package will appeal to the ambitious. Please write with full details. These will be forwarded direct to our client. List separately organisations to which they should not be sent. Brian Woodrow, ref. BGW/B/1.

MSL International, 52 Grosvenor Gardens, London SW1W 0AW.
 Offices in Europe, the Americas, Australia and Asia Pacific.

MSL International
 Executive Search and Selection

Equity Sales

£20,000 - £100,000 Plus

Our established expertise in City recruitment has given us close contacts with the institutional departments in many of the City's most important securities houses, both UK and international.

Big Bang notwithstanding, demand for those with a successful track record in institutional equity sales is very strong at all levels of seniority. This means we are able to match candidates' and clients' objectives to achieve the best possible results.

If you wish to discuss a significant career move or would simply like to be kept informed of market developments, please contact Anna Robson or Sally Poppleton at the Securities and Investment Division, 39-41 Parker Street, London WC2B 5LH, or telephone 01-404 5751. Strictest confidentiality assured.

Only those with relevant City experience should apply.

Michael Page City
 International Recruitment Consultants - London Brussels New York Paris Sydney
 A member of Addison Consultancy Group PLC

Financial Information Service Support

A new service - A new era

Recent deregulation of the London Stock Exchange has again emphasised the urgent need in the City for innovative and technologically sophisticated financial information services. To address this need, our client, an international leader in the manufacture and supply of advanced IT systems, is about to launch an exciting new Financial Information Service to the UK market.

The product is a real-time quotation and financial information service delivered through a personal computer or mini computer. It provides real-time quotes of any asset traded (stocks, debt instruments, options and futures) on any exchange in the United States and Canada. While comprehensive information is provided on each asset, the main advantage of the product is its use of an intelligent workstation to study and monitor the relationship between assets and provide a unique presentation service. Users can create their own strategies involving any of the traded assets and monitor market developments in real-time.

In anticipation of the UK launch of this product early next year, two Customer Support Specialists are now required for pre and post-sales activity. Responsibilities will include the introduction of new customers to the service and the ongoing support and education of users. The Support Specialists will also participate in the design and implementation of enhancements to the UK service and the continuing integration of the service with our clients' full range of information processing hardware and software.

Candidates must have a thorough working knowledge of Futures and Options Markets and be familiar with the use of computer technology in this environment.

In return for your valuable experience, our client will provide comprehensive product training and a highly-competitive salary, accompanied by a generous package comprising company car, pension, private health care, life assurance and stock purchase schemes.

To apply, please send full cv which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent).
 Ref: J8062/FT.

PA Advertising

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
 Tel: 01-235 6060 Telex: 27874

WEST MIDLANDS ENTERPRISE BOARD LIMITED

Venture & Development Capital INVESTMENT EXECUTIVE

£14,862-27,126

The West Midlands Enterprise Board is a regional development agency providing investment finance, training, technical advice and other facilities for expanding businesses in the West Midlands region. The Board provides equity and long-term capital for developing unquoted businesses and, in addition to investing its own funds, WMEB is joint manager with Lazard Securities Limited of the £6m West Midlands Regional Unit Trust.

The Board wishes to recruit two Investment Executives to work on their own initiative, as members of a team of six executives, reporting to the Deputy Chief Executive - Investment. Each executive will be responsible for appraising investment proposals coming to the Board, negotiating appropriate financial packages, making recommendations on new investments to the Directors of the Board and supervising legal implementation of approved investments. He/she will also have responsibility for post-investment management of part of the total portfolio.

The Board is seeking candidates of high quality. In addition to a university degree or professional accountancy qualification, candidates will be expected to have at least three years' industrial, merchant banking, venture capital, or post-qualification experience. Sound judgment of people and commercial opportunities is an essential quality for the work, also a keen interest in assisting the successful development of business through an interventionist and publicly accountable development agency.

An attractive salary, on a scale from £14,862 to £27,126, will be offered to candidates with appropriate experience. The Board also has an attractive pension scheme and can offer assistance with relocation expenses to appropriate candidates.

Further particulars and an application form are available from:
 Assistant Chief Executive
 West Midlands Enterprise Board Limited
 Wellington House, 31-34 Waterloo Street, Birmingham B2 5TJ
 WMEB is an equal opportunities employer
 ...Closing date: 12 December 1986...

ONE OF BRITAIN'S FASTEST GROWING FINANCIAL SERVICES GROUPS

Outstanding Unit Trust Opportunities

Our growth record makes us one of the most successful groups in the rapidly expanding financial services industry. Our Investment Division, with its excellent performance record, now has over £400 million under management and we are continuing the rapid expansion of Crown Unit Trust Services to meet the boom in demand for unit trusts.

Our expansion has created several new opportunities for professionals at a senior level reporting to our Unit Trust Marketing Director.

Unit Trust Sales Executives

Working alongside our existing broker consultants in London and the regions, you will be responsible for developing sales through stockbrokers, insurance brokers, financial planners and investment advisers. You will preferably have some unit trust experience but more important are the skills and qualities you display.

Manager - Marketing Services

You will write, design and produce all our sales aids and promotional material, marketing both within our existing distribution arms and direct to the public through press advertising. You will have excellent oral and written communication skills and experience of a marketing function, probably in a financial environment.

Manager - Advisory Services

A key area of our development is the new advisory services department. You will form the new Link Line Service Desk and will answer all customer and intermediary queries as well as providing advice and information on portfolio structuring and unit trust investment performance. You will have relevant experience and be seeking the opportunity to create your own team.

In return for your skills we will offer excellent remuneration packages for the right people to reflect the importance and seniority of these roles.

If you feel you can match our needs please write with full CV, quoting ref 357, to Andrew Budget, Human Resources Manager, or telephone Stuart Perill, Marketing Director, Crown Unit Trust Services, at Crown Financial Management Group, Crown House, Woking, Surrey GU21 1XW, (04962) 5053.

CROWN FINANCIAL MANAGEMENT

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Telephone: 01-623 1266

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Our client is one of Britain's major international banks, with extensive assets and a vast international network. The Bank has an excellent reputation in the treasury field and, due to expansion, is seeking to recruit professional Corporate Dealers to join an already highly successful team in their City-based International Banking Division. Responsibilities will encompass the servicing and marketing of both traditional and innovative treasury services to the corporate sector. Applications are invited from candidates, aged 25-32, who have at least 2 years' experience in this field.

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BW

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Please contact David Lewis,
Managing Director,

Lewis Briggs International
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CREDIT ANALYST

£17,000-£18,000

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If you possess the required skills then please contact Julia Cartwright or Fiona Collins on 01-404 5751 in strictest confidence or write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH, quoting reference 3702.

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A financial sector background appropriate to investment work, accompanied by extensive industrial experience is desirable. Additionally, you must possess a good degree and/or a relevant professional qualification, and may also hold an MBA.

Salary is negotiable within the range £17,000 - £18,500. Please send a CV including salary history to:

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Welsh Development Agency

Stephen White, Executive Director (Investment)
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 Pearl House, Greyfriars Road, Cardiff CF1 3XK
 Telephone: Cardiff (0222) 32855 ext. 310

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The candidate should have a B.Sc degree in Computer Science or a quantitative discipline plus a minimum of 8 years experience in Data Processing of which 3 years related to training. It is advantageous for the candidate to have experience in training in telecommunications. Interested candidates are invited to forward their applications together with photocopies of their education and experience certificates, within three weeks from the date hereof, to:

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ASIAN DEVELOPMENT BANK

The ASIAN DEVELOPMENT BANK is an international development finance institution established for the purposes of lending funds, promoting investments and providing technical assistance to developing countries and generally, for fostering economic growth in the Asian-Pacific region. Its membership comprises forty-seven countries, thirty-two of which are from the Asian-Pacific region and fifteen from Western Europe and North America. The Bank's Headquarters is in Manila, Philippines.

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Staff will be based in Manila with up-to-date communications and information retrieval links to all of the world's major financial markets. Attractive salaries, normally free of tax and comprehensive fringe benefits, including housing subsidy are offered to successful candidates.

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International co-ordinating centre seeks an experienced Treasurer and Investment Manager preferably with stock exchange and commodity experience. Candidates will be aged 30-40 and be Brussels based or have experience in working abroad. The position will require the monitoring of currency and option positions and the preparation of reporting (to tight deadlines) on the Group's cashflow and currency requirements.

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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Wednesday November 19 1986

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Armani plans major expansion of US and European outlets

BY ALAN FRIEDMAN IN MILAN

GIORGIO ARMANI, doyen of Milan's fashion scene and one of Italy's most famous designers, is planning an international expansion with the opening of 150 Emporio Armani outlets in the US and 30 new shops in Europe.

Armani plans to own four or five "flagship" outlets in key cities. The average cost of opening an Armani shop in the US is \$300,000, while the cost for the European outlets will be about \$300,000.

has designed for Fiat, Lancia, Ford and American Motors. The new clothes company, which hopes to reach sales of £160m in the next 12 months, may also be floated on the Milan bourse.

Bank halts work on Fermenta prospectus

By Kevin Dore, Nordic Correspondent, in Stockholm

SVENSKA HANDELSBANKEN, Sweden's second largest commercial bank, which has traditionally served as the house bank of Fermenta, the troubled Swedish antibiotics and animal health group, has withdrawn from work on an offer prospectus for the sale of part of Mr Rafat El-Sayed's personal holding in the company amid continuing uncertainty over the future ownership of Fermenta.

BORG-WARNER GOES ON THE DEFENSIVE AFTER TAKEOVER SPECULATION

Fending off the corporate raiders

BY DAVID OWEN IN CHICAGO

MR CLARENCE "Red" Johnson, president and chief executive of Borg-Warner, may be doing his utmost to play down suggestions that the accelerating stream of company restructuring announcements constitutes a defensive reaction to current takeover speculation.

Mr James Bere, chairman, is credited with picking out the long dormant financial services business for rapid growth in the mid-1970s. It has since grown into the 14th largest finance company in the US.

entail buyers are still on the horizon. The announcement closely follows last month's decision to sell the company's industrial products subsidiary - a mixed bag of pump, mechanical seal, nuclear valves and defence control system manufacturers - and the spin-off last March of its \$634m air conditioning business.

made for an acquisition partially financed by the sale of unwanted divisions. This partly explains the recent accumulation of major holdings in the company by both Mr Irwin Jacobs, the Minneapolis investor, and GAF, the New Jersey chemical group.

There is also the matter of the Robert Bosch group's 8.3 per cent interest in the company which it has held for some nine years. The West German automotive parts maker has an agreement with Borg-Warner not to increase its stake in the company, and is seen by some as a possible "white knight" in the event of a last-ditch defence.

Nixdorf increases turnover by 17%

By Andrew Fisher in Frankfurt

NIXDORF COMPUTER, the West German company which has just announced plans to raise more money through a DM 500m bond issue, lifted turnover by 17 per cent to more than DM 2.8bn (£1.4bn) in the first nine months of 1986, said Mr Klaus Luft, chairman.

Siemens to hold its dividend at DM 12

BY PETER BRUCE IN BONN

SIEMENS, the West German electrical and telecommunications group, said yesterday it planned to pay an unchanged DM 12 dividend for the year to September 1986. It expected net profits to total DM 1.5bn (£748m), little changed from last year.

nuclear plant orders were excluded the rise totalled 10 per cent. Similarly, if nuclear plant sales were excluded from the comparison, total group turnover actually increased by 2 per cent. In 1984-85 it had built three nuclear power plants and none in the year just ended.

Two wage earner investment funds, which were to have bought 680,000 of the B shares from Mr El-Sayed and were to have underwritten the offer of a further 2.2m of a total of 3m B shares to existing Fermenta shareholders withdrew from the deal at the weekend.

AT&T buys stake in optics group

BY HILARY BARNES IN COPENHAGEN

AT&T, the giant US company, has established a bridgehead in Europe for marketing optical fibres by acquiring a 51 per cent share in the optical fibre manufacturing plant of NKT, the Danish electro-technical group.

administration, Kuwait, Switzerland, Eire and the three other Nordic countries. The advantage of the deal to AT&T is that it gains direct and immediate access to the EEC and Nordic markets.

the technology for an optical fibre factory being set in India by the state-owned Hindustan Cables. The value of the contract is, about Dkr 240m.

Coca-Cola cuts unit selling price

By Our Financial Staff

COCA-COLA, the US soft drinks group, said it cut the expected price for the initial offering of Coca-Cola Enterprises, a bottling subsidiary, to \$18 to \$21 a share from \$21 to \$24.

Phelps Dodge to buy Columbian Chemicals

BY STEFAN WAGSTYL IN LONDON

PHELPS DODGE, the fast-recovering US copper company, is buying Columbian Chemicals Company, a privately-owned producer of carbon black.

the group. Its earnings would be less cyclical than copper's so would help bridge the deep troughs that periodically affected copper. After plunging into loss in the early 1980s, Phelps Dodge has returned to profit in the past two years by cutting costs in its core copper operations and selling assets to reduce debt.

May Stores earnings up in quarter

By Charles Hodgson in New York

MAY DEPARTMENT Stores, the large US retailer, yesterday reported a 23 per cent increase in third-quarter net profits of \$73.6m, or 47 cents a share against \$58.5m, or 37 cents, in the corresponding period last year.

For the nine months, May reported net profits of \$167.8m, or \$1.66 a share, compared with \$151.4m, or \$1.56, in the 1985 period. Nine-month sales rose to \$7bn against \$6.48bn.

Banco de Bilbao lifts profits by 23%

By David White in Madrid

BANCO DE BILBAO, Spain's fourth largest bank, registered a 23 per cent increase in its consolidated net profits for the first nine months to Pta 20.6bn (£182m).

The bank said that its emphasis on banking services had enabled it to maintain a large proportion of cheap deposits and that the cost of its liabilities had been reduced to 4.51 per cent compared with 5.65 per cent at the end of last year.

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November, 1986

INTL. COMPANIES AND FINANCE

First Interstate pursues \$3.4bn struggle for rival BankAmerica

BY WILLIAM HALL IN NEW YORK

FIRST INTERSTATE Bankcorp., the US West Coast banking group, has refused to drop its \$3.4bn bid for BankAmerica, its ailing rival, indicating that the battle for control of America's second biggest banking group is far from over.

First Interstate has said its board unanimously directed the management to continue its efforts to bring about a merger of First Interstate and BankAmerica. "All directors and management remain convinced that a combination of the two companies provides advantages so overwhelming to all parties that we

would be remiss in our responsibility if we did not pursue every prudent measure to bring about such a merger," a statement from First Interstate said.

First Interstate's decision to press ahead with its takeover plans for its larger competitor comes a fortnight after BankAmerica had asked it to drop its bid so as to give BankAmerica's new management team time to see if they could conquer the group's serious problems.

First Interstate said yesterday that it felt that it was in the best in-

terests of the shareholders of both companies for its proposal to "receive a proper evaluation and be acted upon." Its decision not to drop its bid, which is worth about \$22 a share, is embarrassing for BankAmerica since the group cannot legally ignore an offer which is at a substantial premium to the group's current share price of \$15.4.

BankAmerica announced plans to bolster its capital ratios and sell up to \$100m of assets last week but this had no immediate impact on the group's share price which remained unchanged.

Fourfold profit rise at Bear Stearns

By Our Financial Staff

BEAR STEARNS, the largest US investment bank and brokerage firm, achieved a more than fourfold increase in net income for the second quarter to October. Earnings were ahead at \$96.6m, or 82 cents a share, from \$22.1m, or 15 cents.

The result was after a 4 cent-per-share loss related to the creation of an irrevocable trust to provide for the redemption of 15 per cent notes.

Before this loss, net profit for the quarter was \$92.2m, or 78 cents a share.

For the first six months Bear Stearns showed net earnings up at \$202.5m, or 157 cents, against \$42.2m, or 32 cents. After the loss on the redemption, the half-year total this time was \$72.1m.

Revenue for the latest three months reached \$240.2m, up from \$218m a year ago.

The figures for last year include the results of Bear, Stearns and Co, the professional partnership, retained as if the partnership had been conducted as a corporation for the corresponding period.

Big demand for Bank in Liechtenstein shares

BY OUR FINANCIAL STAFF

BANK in Liechtenstein (BIL) said its first public share offering was oversubscribed "many times".

Trading in the stock is expected to begin tomorrow on the over-the-counter market in Zurich, Geneva and Basle. The shares are said to be changing hands unofficially at SFr 1,700 (\$ 1,082), nearly three times the issue price of SFr 600.

BIL, which is controlled by the

principality's ruling family, decided last month to go public with an offering of non-voting shares to selected clients.

The bank proclaimed the issue "extremely successful" and financial analysts speculated that it might tap the market again soon with a similar operation to help finance its ambitious expansion programme.

Gillette moves to block Revlon

By Our Financial Staff

GILLETTE, the US razor and consumer products group, has filed an amended claim in a federal district court in Boston seeking to enjoin further purchases of its stock by a group led by Mr Ronald Perelman, chairman of Revlon, the US health care and beauty products group, on the grounds the purchases violate federal securities law.

The group has bid \$4.5m for Gillette.

Rio Algom offers six banks control of mine

BY BERNARD SIMON IN TORONTO

RIO ALGOM, the Canadian arm of Britain's BIZ mining and industrial group, has asked a group of six banks to take control of North America's only primary tin producer as a result of the collapse in tin prices.

The fate of the new mine, at East Kemptville, Nova Scotia, remains uncertain. Rio Algom said it was willing to co-operate with the banks to keep the mine open.

An official at Bank of America Canada, leader of the consortium which financed construction of the mine, said: "We're reviewing our options." The banks have until mid-December to notify Rio Algom of their plans. Other members of the lending group are Chemical Bank, National Bank of Canada, Montreal

Trust, Mitsui Bank and Barclays.

East Kemptville has debts of about C\$140m (US\$101.5m) in the form of financing secured by mine assets without recourse to Rio Algom. Rio Algom said yesterday that, in the event of the banks taking control of the project, the company would write down its investment of about C\$20m in the fourth quarter of the current fiscal year.

The mine, which began production just four days before last year's tin crisis on the London Metal Exchange (LME), is on the point of reaching its design capacity of 9,000 tonnes of ore a day, yielding 4,400 tonnes of tin, 2,400 tonnes of zinc and 1,500 tonnes of copper concentrates a year.

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to
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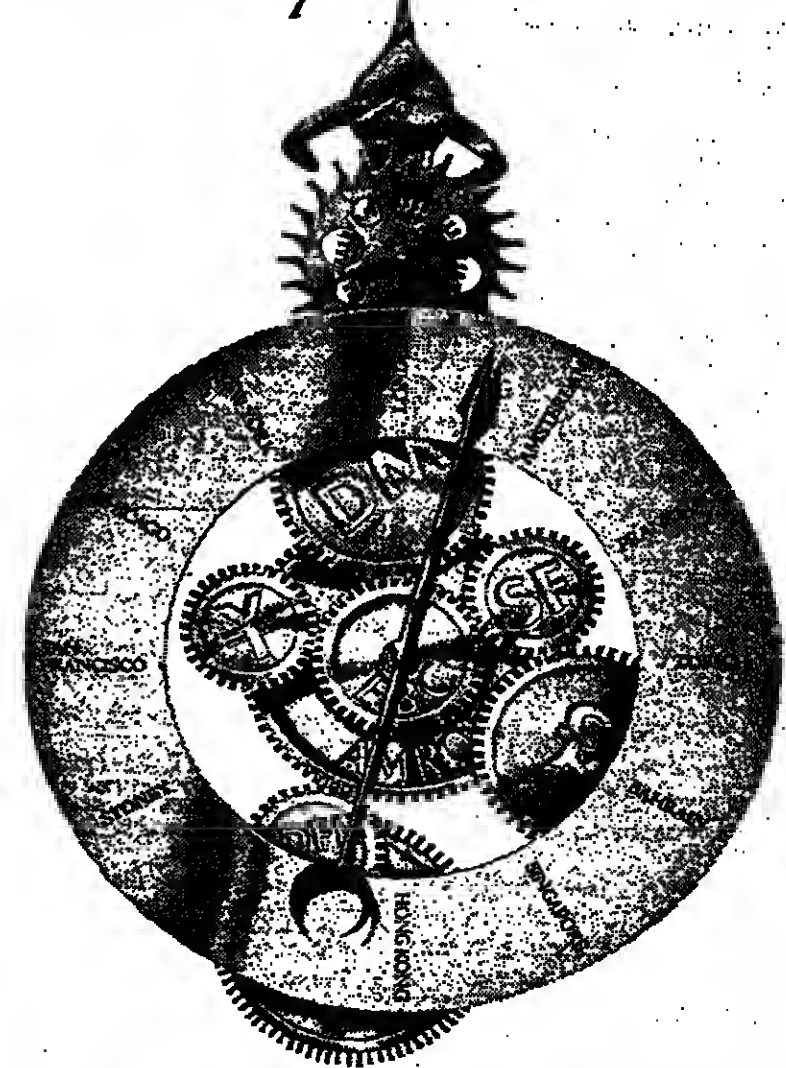
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In accordance with the provisions of the Notes, notice is hereby given that interest payable on 19th December, 1988 will amount to U.S.\$8,859.37 per U.S.\$250,000 Note.

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19th Nov. 1986 to 19th Dec. 1986 - 6 1/4%

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November 19, 1986, London
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**

BANQUE INDOSUEZ

US\$200,000,000 Floating Rate Notes Due 1997

For the three months 19th November, 1986 to 19th February, 1987 the Notes will carry an interest rate of 6 1/4% per annum and coupon amount of US\$162.92 per US\$10,000 note, and US\$4,072.92 per US\$250,000 note

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In accordance with the provisions of the Notes, notice is hereby given that for the interest period from November 19, 1986 to February 19, 1987 the Notes will carry an interest rate of 6 1/4% p.a. and the Coupon Amount per U.S.\$10,000 will be U.S.\$161.32.

November 19, 1986, London
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**

27/11/86

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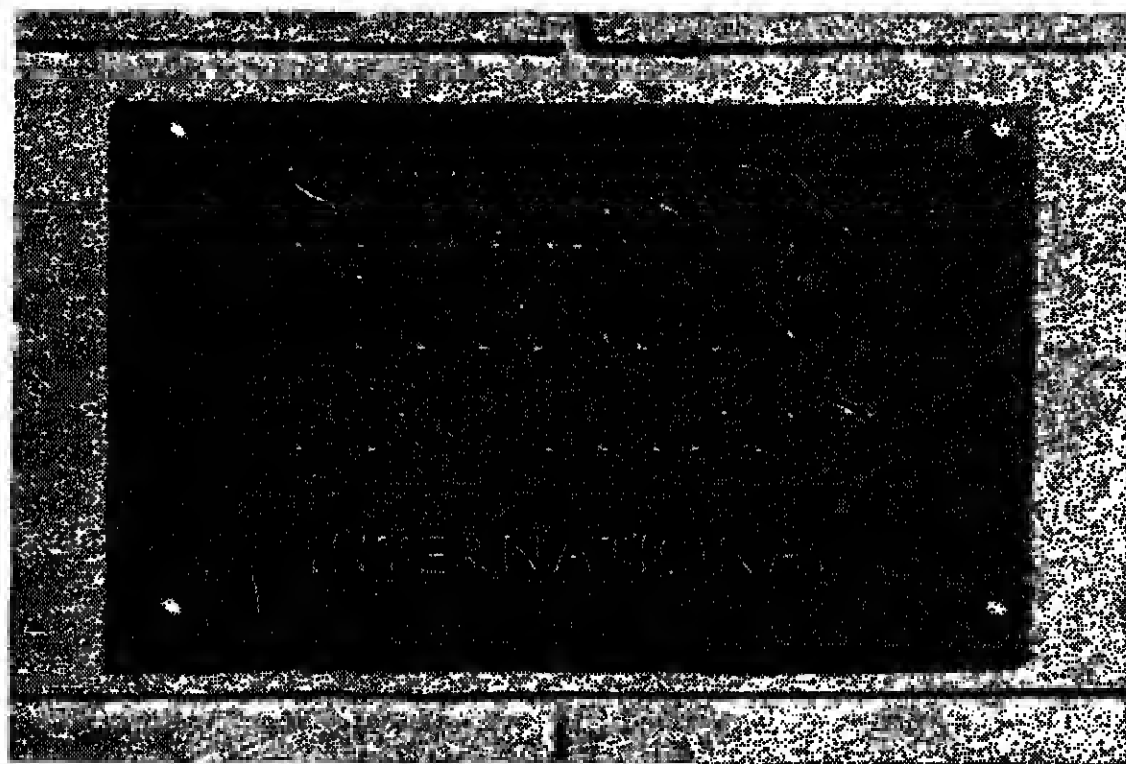
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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Quentin Peel and Alexander Nicoll on EEC exchange control moves

Symbolic step towards deregulation

THE MOST remarkable feature of the European Community's moves to free cross-border capital movements from exchange controls was the speed with which the decision was taken: barely five months from being proposed by the European Commission to being approved by the 12 finance ministers.

The truth is that the measures to liberalise transactions in such investments as unquoted securities and unit trusts, on the one hand, and on the other to not require any drastic changes from anybody. None the less the package represents a small, if symbolic, first step on the path towards what is rapidly being perceived as a much more ambitious goal: complete freedom of capital movements within the Community—or the great majority of its member states—by 1992.

The next phase should liberate purely financial transactions not directly related to commerce: financial loans in both domestic and foreign currencies, money market operations, bank deposits and balances on current account. That means taking controls off transactions which could be purely speculative—including currency speculation—rather than backed by any visible purchase of assets.

It is also likely to call into question a range of other highly sensitive issues: not only the obvious one of how less prosperous member states and regions can prevent an outflow of capital, but also the differing tax rates of savings, prudential rules for financial institutions, and the supervision of banks in different member states.



Mr Jacques Delors, president of the European Commission

Mr Jacques Delors, president of the European Commission, is seen in a black and white photograph. He is wearing a dark suit and a white shirt with a tie. He is looking slightly to the right of the camera with a neutral expression.

Italy makes residents wishing to invest abroad place an interest free deposit up to 15 per cent of the value of the investment, subject to case-by-case exemptions.

Spain is exempt from applying the directives until 1992. Ireland and Greece are expected to seek continued exemptions from them.

The seven countries which have already adopted a more relaxed attitude are Britain, which has no exchange controls and thus no bar on the movement of capital; Denmark, West Germany, the Netherlands, France, Belgium and Luxembourg. There will be small effects in some of these countries.

Argentina Eurobonds rated BA3 by Moody's

By Peter Montagnon, Euromarkets Correspondent

Moody's, the US credit rating agency, has announced a new rating of BA3 for Eurobonds issued by the Republic of Argentina and BAI for debt issued by Brazil, as part of an attempt to extend the range of its rating services to sovereign borrowers.

The rating on Argentina puts its debt clearly into a category that Moody's describes as a speculative grade investment. The agency said, however, that it expects Eurobond holders to continue to receive preferential treatment compared with other creditors, given the technical difficulty of setting up a re-scheduling mechanism for bondholders and weaker leverage that can be exercised over anonymous creditors.

Its rating underlines the clear distinction that has developed in the markets between the way in which Eurobond debt is treated when countries re-schedule, and the way in which their bank debt is treated.

Indeed, Moody's forecast for Argentina is rather bleak. It says it expects the country's debt burden to remain among the highest in the world with debt service payments of 10 per cent of earnings until 1988, and declining only slowly thereafter.

Argentina will sooner or later demand substantial concessions on the terms of its current bank debt which will "quite likely" include below market rates of interest, Mr Pinkes said.

Moody's expects such concessions to be negotiated and, as long as they do not fall, Eurobond debt, which amounts to \$500m, should continue to be serviced.

Moody's rating for Brazil, by contrast, puts its \$1.2bn in outstanding Eurobonds on the borderline between speculative and investment grade paper. It warned that Brazil may face problems with its current account because of its expansionary economic policies.

This may make it hard for Brazil to return to voluntary borrowing on international markets, although re-scheduling agreements with bank creditors "are reasonably well assured".

Separately, Moody's also announced an A1 rating for Korea, BAA1 for Malaysia and A1 for Portugal.

Coupon differential puts Canadian deals in vogue

BY HAIG SIMONIAN

CANADIAN DOLLAR issues were in vogue in the Eurobond primary market yesterday as lead managers capitalised on the currency's steady parity against the US dollar.

Caisses Nationale des Telecommunications (CNT), the French telecommunications entity, launched a C\$100m 9 1/2 per cent 1994 bond, led by Banque Nationale de Paris, and priced at 101 1/4.

This is the first Canadian dollar deal for a French government agency this year. BNP reflected the borrower's credit quality in what was viewed as a correctly priced deal.

CNT is converting its funds into Euro-zone French francs at a considerably more attractive rate than it could achieve via a seven-year Euro-French franc deal.

The seven-year market in both US and Canadian dollars remains rather fragile but BNP made a strong case for the CNT bond, which was launched at 82 basis points over equivalent Euro-zone Treasury bonds.

Moreover, the yield curve between five and seven-year maturities in Canadian dollars is rather flat, with a differential

of around five to seven basis points, against a margin of about 30 basis points between similar US dollar maturities.

Domestic securities issued a C\$100m 9 1/2 per cent 1991 deal for General Motors of Canada, priced at 101 1/4. Though quite tightly priced, dealers expected a good reception for the Euro-market debut of GM's Canadian operation, which is Canada's largest company. The paper is linked with an interest rate swap.

Household Financial Corporation issued a C\$75m 10 per cent 1992 bond, led by Orion Royal Bank and priced at 101 1/4. The borrower is the Canadian subsidiary of Household Finance Corporation, the US financial services group, which is guaranteeing the issue.

In the straight Eurodollar market, Nippon Credit International led a \$100m 7 1/2 per cent 1991 bullet issue for Nippon Credit Bank, guaranteed by Nippon Credit Bank.

Priced at 101 1/4, the paper sold very quickly, with investor demand coming largely, but not exclusively, from the Far East. The issue was trading well within its 1 1/2 per cent fees by late afternoon.

The secondary Eurodollar market, however, was more active, with yields for 10-year maturities and around 1/2 point firmer to two to five-year paper. There was some bargain hunt-

ing among floating-rate notes, with selective issues between 10 and 15 basis points higher in a market 3 to 4 basis points firmer across the board.

Rastarabki, the Finnish government-owned steel manufacturer, continued the revival of the Euro primary sector with a Sfr 50m 7 1/2 per cent 1993 bond, led by Nippon European Bank, and priced at 101 1/4. The issue, which is being swapped into floating-rate dollars, was trading just within its fees by late afternoon.

Vestfjorden (VEAS), the Norwegian waterworks, issued a Sfr 140m 12-year 5 per cent par issue, guaranteed by Sodite. The issue, which is being swapped into floating-rate dollars, was trading just within its fees by late afternoon.

The coupon on the Sfr 50 issue for Nippon Denke Company was fixed at 2 1/2 per cent. Nippon Denke's Sfr 40m issue was fixed at 2 1/2 per cent.

Secondary Swiss market prices were unchanged to a shade weaker yesterday in decreasing volume. West German secondary issues were about 1/2 point in fairly thin trading. Nibder's equity linked issue fell 1/2 points to around 143 bid.

The coupon on the \$70m convertible bond for Teledyne Ceramics was fixed at 3 1/2 per cent. The foreign exchange rate was Y163.75 and the conversion premium was 2.56 per cent.

Citicorp swaps specialist to join County NatWest

BY ALEXANDER NICOLL

MR MARK D. Blundell, a swaps marketing specialist, is to become the latest in a series of senior executives to leave Citicorp Investment Bank in London. He will join County NatWest Capital Markets in January.

Mr Blundell, an American, aged 36, said yesterday that he was leaving Citicorp mainly because he wanted to ensure that he would remain in the UK. But his move will undoubtedly be seen as a further sign of uncertain morale at Citicorp following recent departures. These have included Mr John

Botts, chairman of Citicorp Investment Bank, Mr Kent Price, country corporate officer, several other top executives and a number of less senior ones.

At County, Mr Blundell will be a director with responsibility for structuring and marketing swaps and other interest rate risk management instruments, as part of County's building of a swaps team.

County also said it had recruited Ms Barbara Yu as a director in charge of marketing in France and Belgium. She has been with Shearson Lehman Brothers in France.

Farm finance corporation launches £90m loan facility

BY OUR EUROMARKETS CORRESPONDENT

AGRICULTURAL Mortgage Corporation, a UK farm finance concern owned by the Bank of England and main clearing banks, has launched a £90m, eight-year loan facility in the international capital markets.

Led by Barclays de Zoete Wedd, the facility carries an annual underwriting fee of 5 basis points during the first three years of its life, rising to 7.5 points thereafter.

It will permit the borrower to raise funds in the form of short-term cash advances carrying a maximum margin over

sterling money market rates of 10 basis points excluding the cost of mandatory liquid assets required under Bank of England regulations on sterling lending.

Though 27.4 per cent owned by the Bank of England, Agricultural Mortgage Corporation is not eligible to tap the sterling commercial paper market because it does not have a stock exchange listing.

Carrefour, the French supermarket group, has appointed Credit Suisse First Boston and Morgan Guaranty as dealers on a Eurocommercial paper programme of up to \$150m.

Zurich adds to Ciba-Geigy warrants issue

By John Wick in Zurich

BZ BANK ZURICH has added 50,000 further covered warrants to the 100,000 already placed in connection with future purchases of Ciba-Geigy registered shares.

This follows the announcement at the weekend of a private placement by the City of Zurich, which buys two Ciba-Geigy warrants.

The bank, which earlier this month pioneered covered warrants in Switzerland by placing the first 100,000 of the Ciba-Geigy warrants, has secured the necessary 50,000 additional registered shares of the Basle chemical company.

Merrill UK seeks Tokyo branch

BY YOKO SHIRATA IN TOKYO

MERRILL LYNCH of the US hopes to open a branch in Tokyo of its London banking subsidiary in order to engage in foreign exchange business, making it the first foreign securities company openly seeking to break ground in Japanese banking.

Although Japan has allowed some integrated foreign banks to undertake securities dealing through subsidiaries, no foreign

securities house has so far been permitted to begin banking business either directly or through a subsidiary.

Mr William Schroeder, Merrill's chairman, said in Tokyo yesterday that Deutsche Bank, Nomura Securities and Citicorp were regarded as its chief rivals.

Deutsche Bank pioneered a new route by obtaining a Tokyo brokerage licence for a Hong

Kong subsidiary in which it had hived off a 50 per cent holding to friendly partners. Citicorp has been engaged in brokering business through Tokyo-based Nomura since 1984, while in the other direction Nomura has been granted a licence to establish a banking subsidiary in London.

Merrill Lynch stock closed at Y8,500 on first-day volume of 97,300 shares.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 18

Table with columns for Bond Name, Issuer, Maturity, Coupon, Price, Yield, and Change. Includes entries for US Dollar, Sterling, and other international bonds.

FLUORINE RATE

Table with columns for Bond Name, Issuer, Maturity, Coupon, Price, Yield, and Change. Includes entries for Fluorine rate bonds.

CONVERTIBLE

Table with columns for Bond Name, Issuer, Maturity, Coupon, Price, Yield, and Change. Includes entries for convertible bonds.

SWISS FRANCH

Table with columns for Bond Name, Issuer, Maturity, Coupon, Price, Yield, and Change. Includes entries for Swiss franchise bonds.

YEN STRAIGHTS

Table with columns for Bond Name, Issuer, Maturity, Coupon, Price, Yield, and Change. Includes entries for yen straight bonds.

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The issue price of the Notes is 100 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. Interest will be payable semi-annually in arrears in May and November of each year, commencing on the interest payment date falling in May, 1987.

Listing Particulars relating to the Notes, the Issuer and the Guarantor are available in the statistical service of Exel Statistical Services Limited and copies may be obtained during usual business hours up to and including 21st November, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 3rd December, 1986 from:

Credit Suisse First Boston Limited, 22 Bishopsgate, London EC2N 4BQ. Home Givett Ltd., 119/125 High Holborn, London WC1V 7FB. Chemical Bank, Chemical House, 180 Strand, London WC2R 1ET.

19th November, 1986

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INTL. COMPANIES and FINANCE

Orient Leasing's pre-tax profits increase by 90%

BY YOKO SHIBATA IN TOKYO

ORIENT LEASING, Japan's largest leasing company, showed a 90 per cent jump in pre-tax profits to a record ¥15,780m (\$96.5m) in the year to September, bolstered by strong private capital investment in domestic service industries and a decline in interest rates. Revenues climbed 20 per cent to ¥399bn and net profits were 12 per cent higher at ¥3,390m. On a per-share basis the net earnings rise was more muted— from ¥62.23 to ¥63.37— following the early redemption of ¥70m in convertible bonds. The annual dividend per share was increased by ¥1 to ¥13. New receivables totalled ¥1,028.6bn, an increase of 22 per cent over the previous year. Leasing contracts rose 14 per cent to account for 35 per cent of the total.

Leasing contracts by sector showed office automation equipment up 17 per cent and products for commercial and service industries ahead by 47 per cent. Instalment sales gained 72 per cent to account for 24 per cent of the total, with domestic contracts up by 188 per cent. Growth also reflected a few big aircraft contracts with domestic and overseas airlines. A government scheme for the past two years has provided low interest rate financing for the emergency import of aircraft by domestic airlines which included imports by leasing companies. However, cross-border aircraft leasing declined by 25 per cent during the year. The group's loans business rose 10 per cent to account for 41 per cent of the total. Despite keen competition with banks, its housing loans rose 6 per cent. During the year, Orient Leasing established two new leasing companies in Japan and joint ventures in Australia, the UK, Pakistan and China. In Britain, it set up Lombard Orient Leasing in conjunction with Lombard North Central, the finance company unit of the National Westminster Bank. For the current year, Orient expects intense competition in leasing, which it hopes to combat by the expansion of new business such as instalment credit and loan operations. Overall, a 15 per cent increase in revenue and a 9 per cent gain in net profits are expected, although at the pre-tax stage earnings are forecast to show a 24 per cent drop.

Australian ICI gains 19% before write-down

By Robert Kennedy in Sydney

ICI AUSTRALIA yesterday reported a 19 per cent net profit increase to A\$69.23m (US\$44.5m) in the year to September. The chemicals and plastics group, which is 62.4 per cent owned by ICI of the UK, has forecast further sales and earnings growth in the current year. The profits came on sales 12.4 per cent ahead at A\$2.05bn, and were struck before extraordinary losses—reflecting write-downs at an ethylene plant—which left the attributable result 45 per cent lower at A\$22.82m. The annual dividend has been held at 16 cents a share with a final payout of 9 cents. Mr Chris Hampson, the managing director, took the opportunity to criticise the Australian Government's attitude to the local chemicals industry. He said the Labor Government's decision to cut tariffs had severely affected the company's ability to compete with its international rivals. Mr Alan Bond, one of Australia's best-known entrepreneurs, added his voice yesterday by calling on the Government to slash taxes and legislate against labour disputes in order to promote investment and enhance competitiveness. Mr Sherwell in Perth. Without an appreciation of Australia's serious predicament from Government and unions he would turn away from the promise still held by the country, he told an international conference on trade and investment in the Asia-Pacific region. This followed controversial remarks last month by Mr John Elliott, head of Elders IXL, who suggested it was currently not worth investing in Australia.

First-half reverse for Kyocera

BY OUR TOKYO STAFF

KYOCERA, the dominant Japanese maker of integrated circuit ceramics, yesterday reported a 38.9 per cent fall in pre-tax profit to ¥15,410m (\$84.7m) in the first half to September 1986. Net profits fell 36.7 per cent to ¥7,040m. However, Kyocera is to maintain its interim dividend at ¥22 a share. Half-year sales dipped 6.9 per cent to ¥119,380m, with exports affected by the yen's appreciation. Stiffer competi-

tion also resulted in a drop in sales of optical precision equipment, except for 8mm format video cassette recorders. However, its sales of non-chip electronic parts fared well, supported by solid demand for thermal printer heads and amorphous silicon drums. The company has chosen not to hedge overseas contracts in the forward exchange market, and the rise in the yen thus trimmed ¥17.4bn from its sales. For the second half-year,

Kyocera is counting on a sales increase in electronic and optical equipment as semiconductor components and electronic parts are unlikely to display much growth. Full-year sales are projected 0.2 per cent higher at ¥246.12bn, with pre-tax profits expected to fall by 11.9 per cent to ¥24.6bn. Net profits are forecast at ¥15,440m, down 26.8 per cent. However, the company intends to keep its annual dividend at ¥44 a share.

Sasebo falls into the red at halfway stage

By Our Tokyo Staff

SASEBO Heavy Industries, one of the members of the troubled Kawasaki Dockyard group, fell into pre-tax loss of ¥1,350m (\$8.3m) for the first half to September, compared with profits of ¥840m in the 1985 period. It failed to receive a single new shipbuilding order, and had contracts cancelled on two vessels for the bankrupt Sanko Steamship. The net loss was ¥1,800m, against profits of ¥440m. With sluggish shipbuilding and ship repair work, sales plummeted by 47.1 per cent to ¥22,180m. Sales of securities brought gains amounting to ¥350m. For the second half, Sasebo expects a return to the black because of the delivery of a 240,000-tonne very large crude carrier (VLCC) as well as smaller ore carriers. Full-year sales are projected at ¥640m, down 10 per cent.

Fedfood cuts interim but sees improved profitability

BY JIM JONES IN JOHANNESBURG

FEDFOOD, the South African food group, suffered materially from competition and low prices in the six months to September, and has cut its interim dividend. But it expects trading conditions and profitability to improve in the second half of its current year. Mr Josias Du Toit, the chief executive, says that strong competition and low prices in the frozen food sector had a materially adverse effect on the half-year's results. First-half turnover increased to R511m (\$229.2m) from R448m, and pre-tax profits rose to R16m from R13.3m. Mr Du Toit says that an upswing in economic activity should help Fedfood and that profitability is likely to improve in the current half-year. However, the first half's earnings fell slightly to 34 cents a share from 35 cents and the interim dividend has been cut to 10 cents from 12 cents. Last year

a total dividend of 32 cents was paid from earnings of 93 cents. Fedfood is a subsidiary of Federale Volksbelegings which, in turn, is a subsidiary of the Sanlam insurance group. CNA-Galle, South Africa's largest distributor of books, records and stationery, continued to be affected by the country's recession during the first half of its current year. Nevertheless, turnover increased, last year's profit decline has been reversed and the directors are cautiously optimistic on the second-half. Turnover rose to R148m in the six months to September from R134.3m and the interim pre-tax profit more than doubled to R3.5m from R1.7m. Interim earnings increased to 8.5 cents a share from 2.8 cents and interim dividends have been resumed with declaration of a 4 cent payout. Last year's earnings totalled 26.2 cents and a single final dividend of 12 cents was declared.

Bombay SE expected to reopen today

By R. C. Marby in Bombay

AGREEMENT has been reached between Indian tax authorities and representatives of the Bombay Stock Exchange, India's largest stock market, which should enable dealings to resume today following the seizure of share certificates during raids on 21 stock brokers last month. An intervention by Mr V. P. Singh, the Finance Minister, has secured the release of impounded scrip, for which the tax officials have agreed to accept bank guarantees and pledges of property as security covering about half the paper involved.

Steady growth by Japan's top drug groups

BY OUR TOKYO STAFF

FOUR OF Japan's five leading pharmaceutical companies achieved double digit growth in pre-tax profits for the first half-year to September, benefiting from newly introduced ethical drugs and lower costs for imported materials where the sector was helped by the yen's appreciation. This was despite cuts by the Ministry of Health and Welfare in official drug prices by 5.1 per cent in April this year, bringing price reductions in the past five years to as much as 50 per cent. Takeda Chemical, the largest, was also the only company to report a flat pre-tax result

affected by increased research and development and advertisement expenditures. Takeda's ethical drugs fared well and offset sluggish sales of foods and chemical products. Daiichi Seiyaku's earnings

shot up 77 per cent due largely to strong performance of Tarivid, a broad-spectrum antibiotic drug, and well as sales of a new drug launched September last year. Sankyo also attributed its strong earnings performance to sales

growth of new products for hypertension and cancer. Eisai also did well with newly introduced drugs for bronchial asthma. Shionogi showed little benefit from new products but enjoyed a ¥4bn favourable effect from the yen's appreciation as it depends heavily on imported raw materials. Fujisawa drew strength from a streamlining of its business.

PHARMACEUTICAL RESULTS

Parent company results, half-year to September 1986

	Sales Ybn	Pre-tax profits Ybn	Net profits Ybn
Takeda	242 (+0.5%)	24.72 (+0.5%)	10.92 (+9%)
Sankyo	138 (+10%)	13.44 (+13%)	4.87 (+13%)
Shionogi	100 (+1%)	14.51 (+15%)	5.24 (+15%)
Daiichi	87 (+2%)	13.27 (+27%)	5.32 (+11%)
Fujisawa	27 (+0.5%)	11.77 (+22%)	4.39 (+6%)
Eisai	74 (+6%)	10.31 (+28%)	3.27 (+17%)

For the second half-year to March 1987, all six expect improved profits and sales. The extent of these will, however, depend largely on new drugs developed in-house.

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New Issue / November, 1986

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Echo Bay Mines Ltd.

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Price U.S. \$20.875 Per Share

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15th October, 1986



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UK COMPANY NEWS

REORGANISATION BENEFITS FLOW THROUGH

Metal Box improves to £38.6m

BY TONY JACKSON

Metal Box came up to the market's expectations yesterday with pre-tax profits for the half year to September of £38.6m, a jump of 24 per cent. Net profits were the highest for any six month period in the group's history. The suspension of pension fund contributions helped profits by £2m. This was partly offset by £1.4m of reorganisation and redundancy costs charged to operating profits. In previous years these costs had been charged below the line as extraordinary items. The group said it could not foresee any major provisions for redundancy and rationalisation in the rest of the year. Mr Brian Smith, group chairman, said: "The past twelve months have seen very real change in the company. Although tightening up the business never ceases to believe the major part of our rationalisation is behind us, and

that we are now building on a very secure base." Group sales were down by 1 per cent to £565.6m. Currency weakness and the sale of the US can operation in March combined to reduce sterling sales by £24m, the group said. The can operation had made profits of US\$600,000 in the first half of the previous year. Operating profits were up by 11 per cent to £44m, but would have been 19 per cent up on constant exchange rates, said Mr Murray Stuart, group finance director. Pre-tax profits would have been 33 per cent ahead on the same basis. The tax charge was 24 per cent against 25 per cent in the previous year. Mr Stuart said the group's effective UK tax rate was only 6 per cent, a level which he expected to be maintained for another three years. Mr Smith emphasised that the group's main hope for growth was in its new packaging

products. "Our new ventures are perhaps the most satisfying aspect of our recent development," he said. The group pointed to the 50/50 joint venture with the US aluminium group Alcoa, now named the Genesis project. This involves the building of up to nine US plants making advanced food packaging over the next four years, at a joint cost of \$200m (£141m). The first plant, costing \$16m, should be ready by next autumn. Mr Stuart said the venture was expected to generate annual sales at least equal to the \$200m investment cost. On a projected margin of between 12 per cent and 15 per cent, this would give Metal Box annual profits of between \$12m and \$15m after a three-year start-up period. However, the group said the joint venture to make PET cans in the US had run into environmental opposition. There was likely to be a substantial hold-up, affecting the development of the project around the world. Even so, the group's investment of \$4m in the venture made it much less important than the Genesis project. Earnings per share for the six months were up 35 per cent to 10.1p, and the interim dividend was raised by 11 per cent to 1.7p net. The shares fell 2p to 175p.

SIX MONTHS' TRADING PROFIT		
	1986	1985
UK	£m	£m
Food and drink - packaging	13.0	12.3
General packaging	7.6	5.1
Engineering	2.0	2.7
US	4.0	4.5
Other countries	4.0	5.9
Central heading - UK overseas	2.8	2.8
Miscellaneous income	1.1	0.4
Related companies	2.9	2.8
Total	46.9	41.4

Derek Crouch shares jump on bid talks

An approach that could lead to a full-scale bid sent the shares of Derek Crouch up 25p at one time yesterday. At the close they had eased to 183p for a rise of 18p. The company is based in Peterborough and is engaged in civil engineering and open cast mining. The approach confirms recent market talk of a bid and at yesterday's price the company is capitalised at £24m. In the last couple of years the company's profit has been going ahead strongly, rising from £86,000 in 1983 to £1.12m in 1985. In the first half of 1986 it was £1.3m (£1.1m). The company said that a further announcement was expected as soon as possible, and meantime advised shareholders to take no action.

BENNETT & FOUNTAIN: Acceptances have been received for its offer for Godwin Electrical in respect of 9.8m shares at 93.9 per cent of the equity and the offer has been declared unconditional. Bennett intends to acquire, compulsorily, any outstanding shares.

Staveley in £7m US expansion

BY CLARE PEARSON

Staveley Industries yesterday announced plans to extend its presence in the US weighing components industry by taking a 51 per cent stake in Minnesota-based Weigh-Tronix, for an initial \$10.4m (£7.3m), which it will merge with its existing US electronic weighing subsidiary, NCL. Staveley has arranged a vendor placing of 1.6m new shares (9.7 per cent of its

existing issued share capital), at 55p per share to finance part of the deal, and the balance will be paid out of its own resources. Staveley will make an initial payment to Weigh-Tronix of \$10.4m and additionally a five-year loan of \$8m which will be interest-free provided repayment conditions are met. Combined sales for the first nine months of Weigh-Tronix and NCL are \$42m and combined earnings \$1.9m after tax. Staveley is advised by Hill Samuel, and the vendor placing is through Cazenove. Staveley's strategy is to build up its interest outside its British base. The company has spent £7m to the £13.5m trading profit in the last financial year, as a Monopolies Commission report has limited future salt price rises.

Approach to Ford & Weston
Bowler and Kirkland, the unlisted construction group, has made a bid approach to Ford and Weston, the building contractor and shopfitter which came to the USM last June. Bowler said it wanted to negotiate a recommended offer for Ford, which made a pre-tax profit of £254,000 on turnover of £18.49m in the 26 weeks ended March. Ford's shares were unchanged at 80p yesterday, valuing the company at £7.07m.

Charles Baynes in talks

Charles Baynes, the linen rental and property development group, is negotiating an injection of assets into the company in return for a 29.9 per cent stake in its enlarged equity. The new shares would be issued at about the current market price, the company said yesterday. Its shares rose 9p to 31p. Baynes has been active in buying and selling businesses over the past year paying £300,000 for Stoneguard, a stone

cleaning company, last November and selling three property services companies for £300,000 in February 1986. **SUTER,** through its subsidiary Clearpas, has acquired from the receiver the business, including fixed assets, stocks and goodwill, of the Magnetex group of companies which manufactures parts for the motor industry, principally injection moulded plastic components.

Brierley builds up stake in OT & T

IEP (UK), an investment company run by Mr Ron Brierley, has increased its stake in Ocean Transport & Trading to just under 30 per cent by purchasing a further 7.24m shares over the last two days. At the end of August, IEP bid 22p a share for OT&T valuing it at £238m. In mid-October, the offer was increased and made final at 26p which values OT&T at £238m. The offer closes on Friday and acceptances so far amount to only 0.2 per cent of Ocean's shares. Including the cost of the 9.5 per cent of OT&T that IEP owned before the bid was made, Mr Brierley has spent some £22m, the equivalent of 238p a share, in building up the stake in the freight forwarding, fuel distribution, shipping, storage and waste management group. Last week OT&T wrote to shareholders asking them to reject the IEP offer as inadequate and said that Mr Brierley was attempting to acquire the group and its assets cheaply. OT&T closed last night unchanged at 251p.

EPIC purchase

Estates Property Investment Company (EPIC) is to acquire a portfolio of warehousing units for £6.88m. The current annual income receivable from the properties, all of which are fully let, is £777,765 per annum, on the basis of which the purchase price represents a yield of 11.3 per cent (before acquisition costs). The acquisition will be financed by the issue of 4.16m new ordinary 25p shares in EPIC. These shares are to be placed on behalf of the vendors with institutional and other investors at 158p per share. **British Dredging**
British Dredging has sold for £2.08m its 50 per cent interest in Bristol Sand and Gravel Co., together with a freehold wharf and crane at Bristol, which were rented from Bristol Sand. The purchaser is Arc Ltd, which has also acquired Holms Sand and Gravel Co. (1985) - owner of the remaining 50 per cent of Bristol Sand.

Backing for Skillion

TR Property Investment Trust has acquired a 20 per cent equity interest in Skillion, and will provide further finance by becoming an equity participant in individual projects. The major part of Skillion's equity is retained by Mr Ric Hawley, chairman and managing director. Skillion will bypass the USM and go for a full listing at the earliest opportunity. Skillion has specialised in setting up a chain of business centres, together with residential developments for sale.

Hammeron Property

Traders Associates, part owned by the Canadian subsidiary of the Hammeron Property Investment and Development Corporation, has sold industrial and office groups in Mississippi for \$44m (£30m). The sale is in accordance with Hammeron's stated long-term aim to concentrate on investment and development properties.

LIG pledges funds for AIDS research as profits rise 16%

BY CLAY HARRIS

London International Group (LIG) yesterday announced a 16 per cent increase in pre-tax profits to £12.2m for the six months to September 30 and said that it was allocating substantial additional resources to research and education about protection against acquired immune deficiency syndrome (Aids). The consumer products and services group is the world leader in the manufacture of condoms, the use of which is being promoted by governments and health agencies to prevent the transmission of the virus which is believed to cause the deadly disease. Despite widespread publicity, sales of condoms by Smith Laboratories, LIG's North American subsidiary, had only recently begun to show a modest increase. In the UK, where LIG has more than 90 per cent of the condom market, there had been no significant rise in sales, the company said. LIG would increase its annual research spending by an amount "into six figures," Mr Alan Woltz, chairman and chief executive, said yesterday. It was co-operating with the Government on the "rapid provision of information." Its research will include



Mr Alan Woltz, chairman of London International Group

clinical tests of possible antiviral agents to be added to spermicides. It is test marketing in the Netherlands a thicker condom, developed at the request of the country's AIDS co-ordination committee, primarily for use by homosexuals. LIG lifted interim pre-tax profits to £12.2m (£10.6m) on turnover that was 15 per cent ahead to £128.9m (£112.2m). The company's full-year results will show an extraordinary gain of about 38m before tax and expenses, as shares in Wedgwood bought before LIG launched an abortive bid for the fine china group. LIG committed the shares to Waterford Glass's eventual takeover after its own offer was referred to the Monopolies and Mergers Commission. Profits fell at Royal Worcester Spode, the fine china division. Increased sales in North America, as a result of more competitive pricing, failed to offset the UK downturn which followed the fall in US tourism. Nevertheless, home products and services increased profits to \$6.9m (\$6.4m) on turnover of \$66.5m (\$57.2m). The Colour-Care photographic business made a strong contribution, which would increase in the second half with the integration of further acquisitions. Tighter cost controls helped to boost health and personal products profits by 21 per cent to \$6.2m (\$5.2m) on sales of \$62.4m (\$55.0m). The company is recommending an interim dividend of 1.75p (1.50p), an increase matching the 17 per cent rise in earnings per share to 6.16p (5.29p). See Lex

WCRS surges to £3.5m and makes further acquisition

WCRS SURGES TO £3.5M AND MAKES FURTHER ACQUISITION
WCRS Group, the UK's second largest advertising and communications concern, yesterday revealed that its profits for the first half of the 1986-87 year had surged to £3.47m at the pre-tax level. That was an improvement of 53 per cent over last time's £2,270,000 and some £354,000 ahead of the figures returned for the whole of the previous year. It was also announced that conditional agreement had been reached to acquire Siebert Head, a leading package design consultancy, as part of a post-merger drive to set up a range of top quality design services within the group. Mr Robin Wight, the chairman, said the half-year improvement reflected a continuation of rapid organic growth and the fact that WCRS would continue its expansion internationally and into further marketing service areas. The interim figures (to October 31 1986) included only four months' contribution from BEM Creamer and FCO and only one month's contribution from Della Femina Travisano & Partners and Saunders Design. Group turnover for the opening half-year jumped from £25.83m to £153.47m. Tax accounted for £1.86m (£0.23m) and left net profits at £2.68m, up from £0.32m last time. Earnings worked through at 14.84p (3.55p) per 10p share and the interim dividend is being stepped up by 0.6p to 1.85p net on the capital enlarged by last June's rights issue. In the US, which now accounts for the majority of group profits, the directors have decided to run the Della Femina and BEM Creamer advertising agencies as separate and competing groups. Offices in New York, however, are being merged under the Della Femina Travisano name. Mr Wight said that once the merger had been completed, the group would have two strong,

high-profile and creative agencies, each billing close to \$80m (£11m). Consideration for the acquisition of Siebert Head will be £1.2m, half of which will be satisfied in cash and half in WCRS ordinary shares and a debenture to secure further consideration of up to £2.1m payable over the period to end April 1989 depending on profits. At March 31, 1986 Siebert Head had net assets of \$85,000 and profits for the year to that date were £213,000 before pension fund contributions as extraordinary items. WCRS, formerly Wight Collins Rutherford Scott (Holdings), was formed in 1979 and was the first British agency to obtain a USM quote. It moved to a full listing in September 1984. It made its first major acquisition (Biss Lancaster) in 1985 and has since expanded rapidly in the UK and the US. The group's shares closed at 540p yesterday, a rise of 7p on the day. They were 239p earlier this year.

Two acquisitions by Merchants' Warehousing

Merchants' Warehousing, the Dublin-based grain discharge and storage group, yesterday announced plans to acquire two unquoted companies in a move which would substantially enlarge its activities. The company's shares were suspended at its own request at 65p yesterday to value it at £23.5m (£27m). It has approached its major shareholders to seek their backing for the deal. They include R & H Hall with 22.77 per cent, N Barnett Group with 24.44 per cent and WP & RO Holdings with 10.37 per cent.

Lee Ming Tee lifts Aitken Hume stake

Lee Ming Tee Group, an investment and financial services company controlled by a Malaysian businessman of the same name, has increased its stake in Aitken Hume, the British financial services group from 10.94 to 12.15 per cent.

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The Ocean share price is the closing price at 3.30 p.m. on Tuesday 18 November 1986.
‡ IEP Securities Limited owns 27.1 per cent. and has agreed to purchase a further 2.86 per cent.

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191	121	Ass. Brit. Ind. CULS...	145	-	-	-	7.7
46	28	Armlage and Rhodes...	40ud	-	4.2	10.6	6.0
71	66	BBS Oasign (UBM)	86	-	1.4	2.2	15.8
204	108	Bryde Hill	204	+ 1	4.0	2.3	23.2
91	42	Bry Technologies	91ud	-	4.3	4.7	10.0
201	76	CCL Ordinary	127	+ 2	2.8	2.2	8.1
162	88	CCL 11pc Conv. Pl.	107	-	15.7	14.7	-
256	90	Carborundum Ord.	256ud	+ 1	9.1	3.8	12.4
85	80	Carborundum 7.5pc Pl.	85	-	10.7	11.5	-
32	21	Frederick Forster Group	22p	-	-	-	-
126	50	George Blair	89ud	-	3.6	4.2	2.3
83	20	Ind. Precision Castings	83ud	-	6.1	7.2	8.3
218	183	Isle Group	183	+ 1	0.1	12.0	6.8
128	101	Jackson Group	128ud	-	7.2	8.8	8.2
377	228	James Burrough SpCP	367	-	17.0	4.6	10.3
100	85	James Burrough SpCP	94	-	6.0	8.8	7.7
103	342	Multihouse NV (Amst)	948	-	12.9	13.7	-
380	280	Recon Roadway Ord	277	-26	-	36.0	60.6
100	87	Recon Roadway 10pc Pl	87	-	14.1	18.2	6.7
80	32	Robert Jenkins	86	-	-	-	3.7
38	28	Scruttons "A"	38	-	-	-	-
130	65	Torsley and Carlisle	130	-	6.7	4.4	7.9
77	32	Towson Holdings	360	-	7.9	2.3	7.3
70	25	Uniflock Holdings	77	-	3.8	14.2	13.3
102	47	Walter Alexander	102	+ 1	6.0	8.8	2.4
228	180	W. G. Yates	197	-	17.4	8.6	17.7
98	67	W. Yorks. I. H. (USM)	93	- 1	5.8	8.0	13.3

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UK COMPANY NEWS

LCAH prefers MAI bid but supports rival

BY CLAY HARRIS

London & Continental Advertising Holdings, the outdoor poster group, yesterday welcomed in principle the £28.3m takeover bid from MAI but nevertheless urged its shareholders to approve a rival rescue plan on Friday.

LCAH made clear that it preferred the 120p per share cash bid from MAI, the financial services group, which also operates in the poster business as Mills & Allen, to a rights issue at 110p which would raise £7.4m and give a 29.9 per cent stake and management control to Piccadilly House, an investment group.

It could not risk, however, a rejection of the Piccadilly deal, which it has already recommended, only to find the MAI bid blocked by a reference to the Monopolies and Mergers Commission.

"We don't want to fall between two stools," Kleinwort Benson, LCAH's advisers, said. The Office of Fair Trading, meanwhile, confirmed that it had promised to give a recommendation on the proposed merger within two weeks if it received an official submission from MAI.

MAI and LCAH would have a combined 44 per cent share of

Tomkins sells Pegler subsidiary for £5.3m

By David Goodhart

F. H. Tomkins has sold for £5.3m a subsidiary of Pegler-Hattersley, the valve company it acquired last June for £190m. The company, Paragon Plastics, has been sold to PolyPIPE, the plastic plumbing systems concern.

Tomkins, which has no other plastic interests, said it had no plans for further disposals of Pegler businesses. Since the takeover it has closed one other Pegler company, J. J. Brambridge, a scrap metal merchant, and removed more than 30 senior managers.

In the year ended March 1986 Paragon achieved pre-tax profits of £47,000 on a turnover of £7.4m.

PolyPIPE is paying for the company through the issue of 4.5m new shares of which 3.5m are being placed by Panmure Gordon at 157.5p per share. PolyPIPE also announced the acquisition of Procell—another plastics company based in Kent—for £1.6m.

PolyPIPE, which turned in pre-tax profits of £2.15m for the year to June 30 1986, said that its first acquisitions would broaden its customer base and enlarge its product range.

Debron spends £66m cash in US on first acquisition

BY CLARE PEARSON

Debron Investments is acquiring for \$95m (£66m) in cash the US office-fabric manufacturer, Guilford. It is Debron's first acquisition since the John Crowther Group bought its main UK carpets business in September 1985 and its other carpets interests were hived off. Debron was formerly known as Carpets International.

Debron believes that Guilford's business will dovetail into that of Interface Flooring Systems, its only remaining significant investment and its principle shareholder.

At the time of the disposal of Carpets International, Mr Ray Anderson, Debron's chairman and chairman of Interface, said the proceeds would be used towards acquiring businesses in the furnishing industries.

Guilford generated turnover of \$74m and pre-tax profits of \$13m in the year to March 1986. In view of Guilford's size relative to Debron, Debron's shares were suspended yesterday up to 5p, giving it a market capitalisation of £20m, pending shareholder approval and its offer becoming unconditional.

Debron will be financing the deal out of existing cash balances, amounting to \$19.4m at the end of October, by loans from its US bankers, and loans from Interface and Interface Overseas.

Additionally, £1.4m is being provided by Interface Overseas' recent exercise of options over 7m A shares of Debron, which Debron intends to acquire as part of the acquisition. The acquisition is completed to give additional equity finance amounting to about £17m.

Norton bid success 'would cost £7.6m'

BY DAVID GOODHART

Norton Opax would have to bear costs of £7.6m if it succeeds in its bid for McCorquodale which represents 60 per cent of shareholders funds according to the offer document of the rival bid from the management buy-out team.

The buy-out team states that Norton's gearing is already 79 per cent and that the value of its shares would be vulnerable in the event of a McCorquodale takeover.

It adds that a merger between Norton and McCorquodale would cause serious damage to McCorquodale's security and legal printing.

The document also points to the commitment of McCorquodale's senior staff to the buy-out. "It is extremely unlikely that Norton Opax can better motivate McCorquodale's management, which is responsible for the present success of the

group, since 30 of the senior managers of the management have personally backed the rival offer," it states.

It is also revealed, for the first time, that Mr Michael Stoddard, chairman of Electra Investment Trust, one of the main backers of the management offer, would become non-executive chairman of McCorquodale if the buy-out was successful.

The Norton bid reaches its final close on Friday. If acceptance of that offer—of 308p per share in cash and 310p in paper—do not go over 50 per cent then it is clear that the buy-out—offering 315p a share cash—will succeed. An agreement between Mr Robert Maxwell who holds 22 per cent of McCorquodale, and Norton Opax has avoided the possibility of stalemate in the event of Norton not achieving the 50 per cent.

Ramco Oil Services faces £0.7m bad debt

THE directors of Ramco Oil Services stated that Joan Howard Group being put into the hands of the receiver has meant the possibility of a bad debt provision for 1986 of up to £700,000.

Ramco was carrying out substantial contracts for Howard Doria, a subsidiary of John Howard, and directors said that this "unexpected development has been a bitter blow."

Since the receivership was announced in September, Ramco had been committed to

resolving the situation and had secured two major contracts with Total Oil Marine and McDermott Scotland.

The directors said the company continues to operate within an extremely difficult environment. However, they believed that it had secured a positive position which would significantly reduce the burden on the company. The trading position had been improving and directors said it would continue to do so for the remainder of 1986.

Berkeley acceptances

Ranger Oil, a Canadian energy group, won acceptances from just 0.1 per cent of the shareholders of Berkeley Exploration to its original \$11m takeover bid. Together with shares owned before the bid or acquired since, this took the Ranger stake to 34.3 per cent.

Clyde Petroleum, a UK independent oil group, has since made an agreed offer worth £14m for Berkeley, but Ranger returned with a second offer worth £15.1m last Friday. Berkeley's shares fell 2p to 65p yesterday.

COMPANY NEWS IN BRIEF

ELAN CORPORATION (pharmaceuticals): Turnover £53.2m (£53m) up from £22.7m, operating profits £626,000 (£405,000) for six months to September 1986. Unfunded R and D expenses £291,000 (£304,000) and investment income £596,000 (£115,000). Net profits £582,000 (£212,000). Earnings per share 8p (3p). Directors expect the traditionally strong second half to ensure another year of record earnings. ACISIS JEWELLERY incurred increased pre-tax losses of £480,000 (£348,000) for the six months to July 31 1986, on turnover of £1.81m (£1.48m). Loss per share was 9.44p

Outwich unveils plans for partial unitisation

Outwich Investment Trust has unveiled plans for the partial unitisation of its £120m portfolio and for the creation of a new investment trust.

The proposals stem from the desire of Baring Brothers, the merchant bank, to cash in its £20m stake in Outwich and use the money in its mainstream business. Barings itself owns 19.6 per cent of the Outwich shares.

Under the proposals, Outwich shareholders are being offered 885p worth of units in a selection of five Baring unit trusts plus one ordinary share in the new Stratton investment trust valued at 95p, for every four Outwich shares held.

The offer is worth 232.5p per Outwich share and is approximately 96.7 per cent of present net asset value.

Interim figures of Outwich show earnings up from £1.18m to £1.34m for the half year to September 30, 1986, representing 2.66p (2.33p) per share. The interim dividend is 1.2p (1.1p).

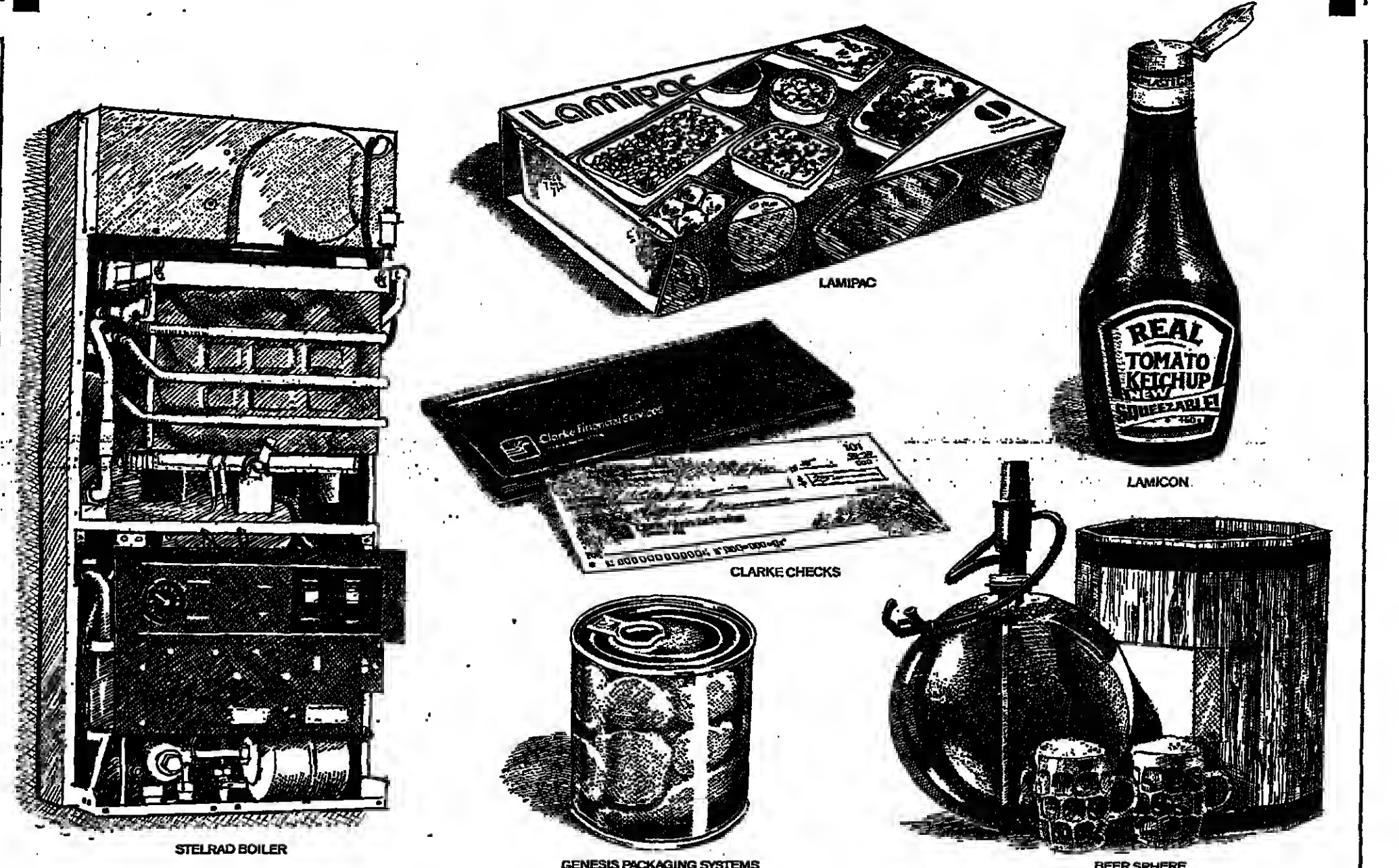
Bestwood raises its holding in Buckley

Bestwood, the investment and property services group, has increased its holding in Buckley's Brewery, the Llanelli-based drinks company, to 21.97 per cent. It also disclosed a 25.81 per cent stake in John Perkins Meats, the USM-listed wholesaler based in Taunton.

DIVIDENDS ANNOUNCED

Company	Date	Current payment	Corre. div.	Total for year	Total last year
Abbeycroft	2nd Int. 15th	1.54	—	—	—
B. Elliot	1st Int. 1	1.53	—	—	3.5
Metal Box	Int. 17	1.53	—	4.75	—
MK Electric	Int. 3.7	3.4	—	10.8	—
Moran Tea	Int. 22.5	7.5	20	18.5	—
Oceanic Group	Int. 1.1	1.1	—	—	—
Scottish Cities	Int. 19	17	26	23	—
Thames TV	Int. 4	—	—	—	—
WCRS	Int. 1.86	1.25	—	4.25	—
Williamson Holdings	Int. 10	20	20	20	—
Young & Co. Brew. Int.	4	3.3	—	7.3	—

Dividends shown in pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. ††Unquoted stock. †††For 18 months. ††††Wakes 2.5p to date in respect of 18 months accounting period. **Adjusted for share subdivision.



METAL BOX HAVE PACKED A LOT INTO SIX MONTHS

It has been a productive period for Metal Box since last April.

A period that has seen many of our packaging ideas come to fruition, the result of our decision to develop new markets using our technical expertise, product innovations and commitment to research and development.

Our 'Lamicon' squeeze bottle is now on the market, being used by major manufacturers of tomato ketchup. But perhaps more importantly for Metal Box is that Lamicon's potential is as great as the range of sauces that are available. A trip to any supermarket will confirm that.

Another of our products which opens up an equal number of possibilities is the PET 'Beer Sphere'. Coming in three sizes, the Beer Sphere can hold anything from 10 litres to 30 litres of beer, cider or soft drinks. Its light and tough properties will help it go down well with the off-licence trade as well as with the clubs and wine bars and incidentally provides access to a new market for Metal Box, the on-trade.

In hardware and DIY shops the 'Polycan' plastic paint cans will be very much in evidence and soon consumers will also be seeing a lot of the new 'Lamipac' plastic processable food containers appearing on supermarket shelves in this country.

In the USA, construction has now started on the first 'Genesis' Packaging System plant in Pennsylvania. The joint venture with Alcoa will manufacture the new generation of high barrier plastic food packaging developed by the Metal Box research and development team.

SUMMARY OF RESULTS	Six Months to 30th Sept 1986	Six Months to 30th Sept 1985
Turnover	565.6	569.3
Trading Profit	46.9	41.4
Interest (net)	(8.3)	(10.2)
Profit before taxation	38.6	31.2
Earnings per 25p share	10.1p	7.5p
Interim Dividend—net	1.70p	1.50p

Extracts from the Chairman's statement:
Profit before tax improved by 23.7%.
Earnings per 25p share rose by 34.7%.

We have also been active in our other key business sectors.

Stelrad, Europe's leading central heating subsidiary has extended its range by developing a high efficiency boiler that does not have to be fixed to an outside wall.

In Florida, USA, Clarke Checks, the Metal Box security printing operation, has opened up a new plant for producing cheque books. Clarke now has 15 plants in 10 states employing over 900 people.

As you can see, we haven't been idle in the past six months. And we are strongly committed to even greater activity in the coming years.

The half year ended 30th September 1986 followed a year in which many changes were made to operations, organisation and strategy. It has been a period of developing our existing businesses, evaluating our future opportunities and achieving some growth. The Board believes that the strategies now being implemented, coupled with the benefits of the reshaping of recent years, provide the basis for further profitable growth.

A leaflet setting out the Interim Results and comments in more detail will be despatched shortly to the shareholders.

Please fill in this coupon for a copy of the Metal Box Interim Results and send it to: The Company Secretary, Metal Box plc, Queens House, Forbury Road, Reading RG1 3JH, or telephone: (0734) 581177.

These results will be available from November 25th 1986.

Name _____
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For further information and the current prospectuses, please complete and return this coupon to: Robin Fuller, N.M. Rothschild Asset Management (C.I.) Limited, P.O. Box 242, St. Julian's Court, St. Peter Port, Guernsey, Channel Islands. Telephone: Guernsey (0481) 26741.

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N.M. ROTHSCHILD ASSET MANAGEMENT

Sabah Development Bank Berhad U.S.\$40,000,000 Floating Rate Notes due 1989

In accordance with the provisions of the Notes notice is hereby given that for the six month interest period from 19th November 1986 to 19th May 1987 the Notes will carry an Interest Rate of 6.3125% per annum. The Coupon amount payable on Notes of U.S.\$10,000 will be \$317.38.

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From most of Europe's commercial capitals, Georgia is merely hours away on a direct flight. Our Hartsfield International Airport is the world's busiest, and it makes us the transportation hub of the entire southeastern U.S.—which happens to be the fastest growing region in America.

And the amount of European investment in Georgia is also growing fast. During 1985, over \$244 million in new investment was announced here, a 100 percent increase in just one year. More than 500 European firms employing 34,375 Georgia workers are successfully operating in our state right now. Including 16 European banks and five full-time consulates. Why are they all doing so well? One big reason is that our state government welcomes overseas

business with open arms. We haven't raised our corporate tax rate since 1969. We've developed a one-step permit process that allows businesses to start building in as little as 90 days. We even have a Quick Start program that will train workers to meet your specific needs—at no cost.

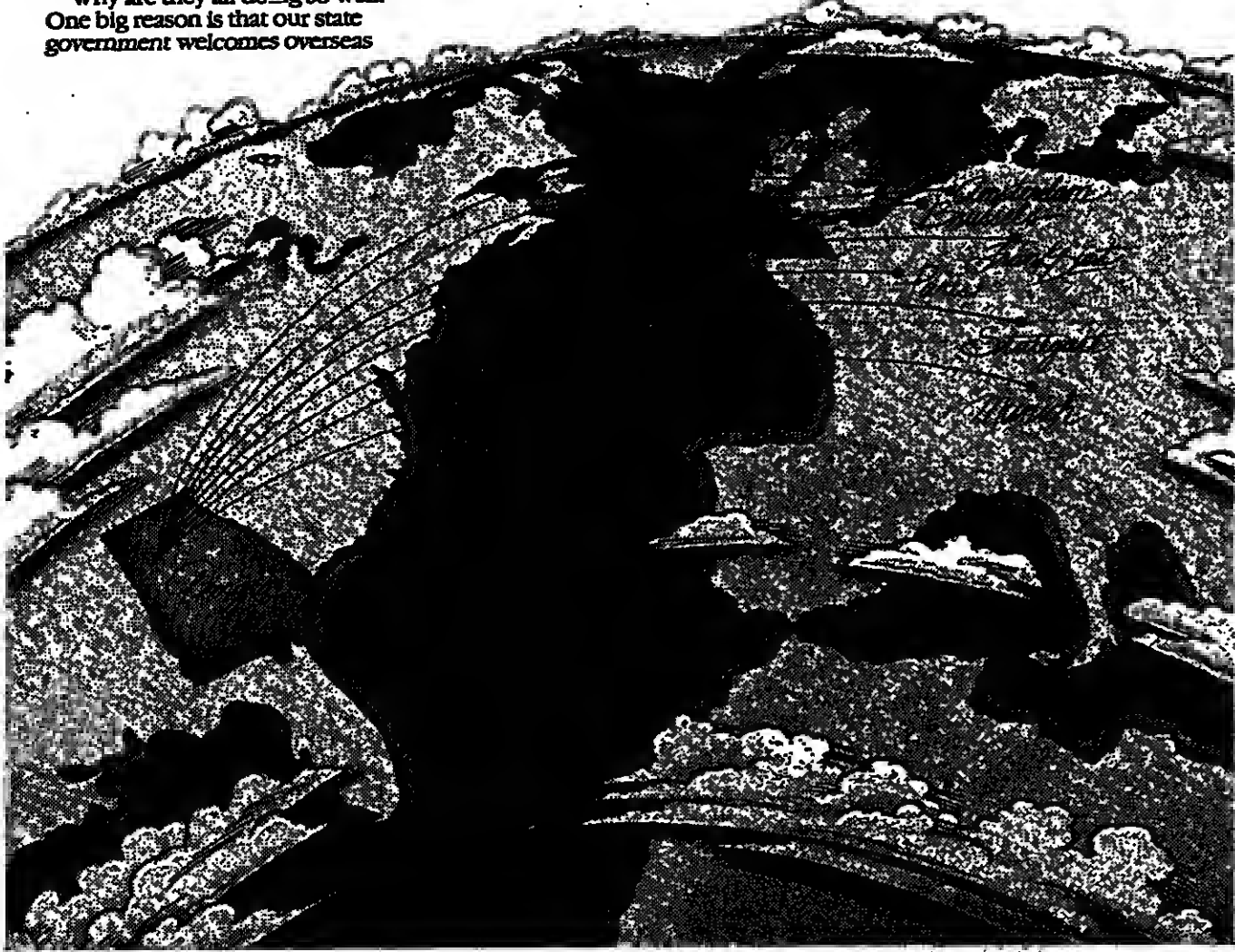
And the productivity growth rate of our work force is 36% higher than the U.S. average. Yet the cost of that labor is among the nation's lowest.

If your company would like to make its expansion into the U.S. marketplace as problem-free and profitable as possible, you need to take a close look at us. Just send in this coupon, and we'll show

you why selecting Georgia is such an easy business choice.

For free information write to: Mr. John L. Turbiville, Managing Director, European Office, Mr. William L. Hulbert, Deputy Director, Georgia Department of Industry and Trade, Dept. FT, Square de Meuse, 20, 1040 Brussels, Belgium. Tel. 32 2 512 81 85, 32 2 512 82 93.

Name _____
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 Company _____
 Address _____



DEEP INSIDE Simon Engineering, the subject of a hostile £175m "buy-in" bid, directors have scratched their heads for some time over the overall shape of the group's business and the lack of zip to enliven its dull image.

The big difference between them and Mr Philip Ling who leads the City-backed consortium bidding for Simon is that they believe the present management and not Mr Ling are best placed to turn this head scratching into action. Mr Ling says they have had ample time to do it already.

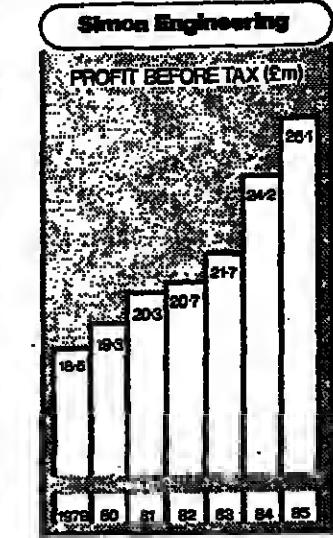
In an interview only days before the unusual form of bid was announced earlier this month Mr Tim Leader, chief executive for just more than a year at the Stockport-based engineering group was candid about some of the group's weaknesses.

For one thing Simon, which employs 9,800 worldwide in a range of activities including designing and installing process plants, manufacturing lifting gear and storing chemicals, could be much more efficient. For another it had not handled the US market correctly.

Its total number of separate companies at about 50 was too many for a group turnover of £540m and some of the principal businesses did not have good growth prospects. This hard-headed view was coupled with some reflections on the group's undoubted strengths, which are built on its highly-respected engineering skills and which have helped it to generate 14 years of uninterrupted profits.

Yet there was no mistaking that Simon has not found it easy to find new furrows big enough to plough profitably. "Yes it needs a change of direction but I don't know what change yet," said Mr Leader, a former head of what is now Babcock Power who ran Simon's process plant operations before slipping into the chief executive's seat last year. The consortium bid was not what he had in mind.

Simon divides its businesses



'Simon has been very active buying and selling in the past 4 years but this has done almost nothing to simplify its structure'

into three groups. Contracting, which accounted for 49 per cent of sales last year, includes designing, up to final commissioning, of process plants mainly for chemicals, food and animal feed as well as a diverse range of specialist plant. This group includes Drake and Scull purchased three years ago for £22m which specialises in building services, including heating and ventilating, fire protection and industrial piping.

Manufacturing machinery generated 38 per cent of sales. It includes cereal milling equipment, vegetable oil and corrugated board production machinery, gearboxes and winches, waste water treatment plant, poultry processing, blast-furnace coal injection and bulk handling systems.

The balance of sales are derived from marketing and distributing chemicals, storing bulk liquids and oil services which include the supply of fluids and seismic exploration capabilities.

at the beginning of the 1970s to £26.1m last year and to ride the recession without the extenuating factors that befell some other engineering companies. But it is also this mixture that much City criticism that it is a rather sleepy formless company that has bought into too many unrelated activities and that, rightly or wrongly, exudes an impression of a lack of direction from its 90-strong head office.

Simon has been very active buying and selling in the past four years but this has done almost nothing to simplify its structure. During that period it has closed 10 operations and sold a further seven, a good deal of this in its activities overseas.

But it has also acquired 15 companies, of which only two, Drake and Scull and Geo-Search Corporation in the US cost it more than £5m. Of the rest, 11 cost less than £1m.

tively small business causes. One of Simon's solutions was to try to reduce the number of businesses to about 30 within the next 18 months, either by collapsing one company into another, selling or closing them. The group has also become slowly more centralised with more performance monitoring at Stockport.

Simon had seemed confident that the Access business, which produces equipment like self-propelled and trailer-mounted platforms, had good growth prospects as did engineering services. Mr Leader also believes that at some point engineering services and contracting should be merged into an international contracting operation.

But one of the big problems exercising the minds of Simon directors before the unwelcome buy-in proposals was that storage and manufacturing does not have any significant growth potential and neither did cereal milling.

Any likely acquisitions, which would almost certainly have included a substantial division of another engineering-based company, are now on the backburner while Simon marshals its defence against Mr Ling. The difficulty Simon was having, though, in choosing candidates has been all too evident.

Mr Leader said two weeks ago that Simon was not really interested in more "smoke-stack" industries, would not buy anything that makes less than £50m on sales of £20m to £25m and that overall there would probably be a shift to more contracting, rather than manufacturing.

He revealed, however, that Simon has found it very difficult to find potential purchases and that while he wanted the group to go through some spring-cleaning, there would be no selling of its birthright.

"If you look around at public companies, it is very hard to find a company you really want. We have to change direction sensibly with no great speed." But time is perhaps now not on Simon's side.

ISSUE NEWS

Spandex joins the unlisted market

Spandex, which sells computer-aided sign-making equipment, yesterday joined the USM via a placing which values the company at £14.45m. Spandex was founded 10 years ago by Mr and Mrs Charles Dobson to exploit Mr Dobson's invention of modular slatted sign systems. And it has continued to develop its own sign systems and related materials.

In 1983, however, it became involved in distributing computer-aided sign-making equipment when Gerber, a US company, appointed it UK distributor for its "Graphix" Systems. Spandex now draws all the lettering and for alphabets that sell as slotted circuit boards for Graphix Systems.

Spandex has recently acquired the European rights (except France) to distribute Gerber's System 48, computer-aided equipment based on Graphix technology for cutting such materials as plastics, timber, and metals.

In the year to end February, Graphix System X activities accounted for about 60 per cent of Spandex's turnover of £6m. Profits were £1.6m, a 47 per cent increase on the previous year, giving margins of 16.8 per cent.

In the first half of the current year, Spandex's turnover amounted to £4m and pre-tax profits £883,000.

In the placing Spandex will release 8.5m shares, or 18 per cent of its equity, at 170p per share. It is sponsored by Stock Beech.

The placing will generate £1.1m for the directors, and £1.35m for the company which will be used to fund its overseas expansion, including part of the costs of purchasing its Dutch subsidiary. It will also pay for its new headquarters outside Bristol.

The company expects to pay a 2p per share net dividend in respect of the year to end February, 1987.

FS Ratcliffe

Approximately 85 per cent, or 1.01m shares, of the 1.18m FS Ratcliffe shares offered by way of rights were taken up.

The balance of 175,000 shares were sold to the market at the net excess over subscription price will be distributed among the original allottees, except that amounts of less than 250p will be retained for the company's benefit.

BOARD MEETINGS

TODAY	
Interline—Avans, Black Arrow, Sagra Investment Trust, John Farrow, Gibson Lyons, Jersey General Investment Trust, Lawyers, London Trust, Skelton, Warnford Investments, Whitbread.	
Flaxley—Australia Investment Trust, Ronka Hoivie McDougall.	
FUTURE DATES	
Interline—	
Carlisle Copel and Leonard	Nov 27
Nicholas Feetz	Dec 3
Robertson Research	Dec 4
Sims Catering Butchers	Nov 21
Sageard	Nov 21
Spaxford	
Las (Arthur)	Dec 15
1Amended	

Fletcher King share price gives £12m value

Fletcher King, the commercial estate agent, about to become only the second company of its kind to join the stock market, yesterday set a price on its shares which will value the whole of the company at £11.5m.

Some 2.2m shares, a third of the equity, are to be offered for sale by Lazard Brothers, the merchant bank, at 175p a share. Brokers to the issue is Cazenove and the prospectus will be published tomorrow.

Unlike Baker Harris, which is primarily a City office agent, Fletcher King offers a range of services to clients throughout the UK. Apart from offering agency services for acquisitions and disposals, it manages properties.

The prospectus will show pre-tax profits rising from £33,000 in 1982, when the company's performance was held back by a move to its present offices,

TSB CI

TSB Channel Islands, the mainland banking group subsidiary which is seeking an independent quotation on the unlisted securities market, announced yesterday that its offer for sale had closed oversubscribed.

Details of the level of subscription and basis of allocation are expected to be announced this afternoon.

Company Notices

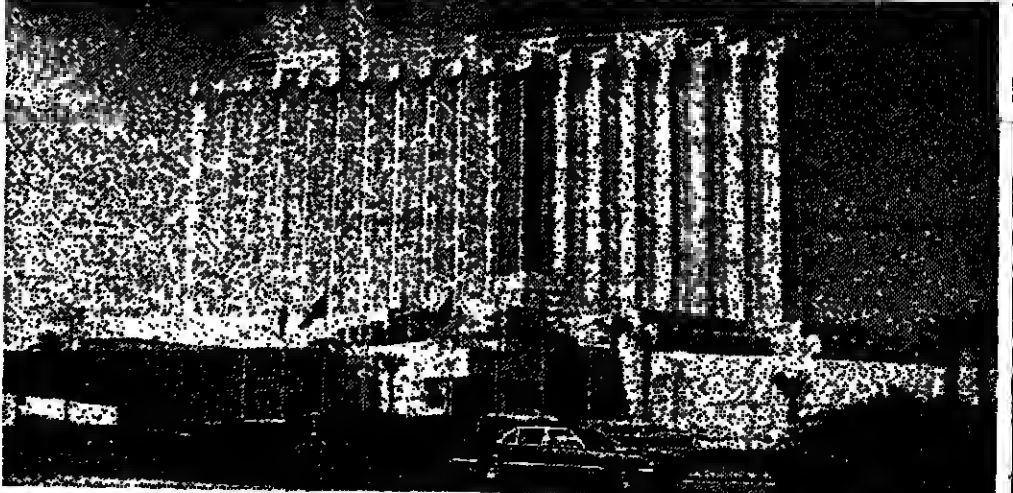
CHEMICAL NEW YORK CORPORATION US\$300,000,000
FLOATING RATE SUBORDINATED CAPITAL NOTES DUE 1997
 In accordance with the provisions of the notes, notice is hereby given that for the interest period from November 19th, 1986 to February 19th, 1987 the notes carry an interest rate of 6 1/2 per cent per annum. The interest payable on the relevant interest payment date February 19th, 1987 against coupon No. 8 will be US\$765.62 per US\$100,000 notes.
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UK COMPANY NEWS

MK Electric back to growth with 7% rise

MK Electric returned to growth in the half year ended September 27 1986. Turnover rose 10 per cent to £66.1m while the pre-tax profit showed a gain of 7 per cent, from £7.5m to £8.4m.

Net operating costs were nearly £5m higher at £57.5m and there was net interest payable of £200,000, compared with £500,000 received. Earnings came to 14.4p (12.1p) and the interim dividend stepped up to 3.7p (3.4p) net.

The group makes electric and electronic connection, control, and circuit protection equipment in the UK prospects remained good, the directors said, with activity expected to continue satisfactorily.

Overseas, no immediate improvement was expected in the traditional markets, although that would be mitigated by the increasingly strong performance in the newer European and North American markets.

Development of new products continued to be a key strategy. The range of Powerlink products, the versatile high quality power distribution system, continued to be ex-

tended. Gent's recently launched system 3400, advanced fire detection and alarm system, had already attracted several "large and prestigious orders," the directors claimed.

UK sales benefited from significant growth in demand from the refurbishment and private housebuilding sectors. Overseas, turnover and contribution was reduced because of the adverse economic conditions in the traditional markets of the Middle and Far East.

Friedland, acquired last year, was performing well and making a positive contribution to profits. Trend Control Systems, purchased earlier this month, added building and environmental control systems to the product range.

The South African interests were sold to local interests. This removed loss making activities which, although modest in scale, had required substantial management attention in a difficult economic climate.

Comment
MK Electric has two good reasons for being grateful to

the Chancellor. First, the cut in corporation tax has helped turn an unimpressive 8 per cent increase in pre-tax profits into a rather more impressive 19 per cent advance in earnings per share, and second, the prospects for the pre-tax profits themselves should be significantly less promising were it not for Mr Lawson's loosening of the purse strings on housing expenditure. The weakness of the first half performance is worse than it looks for almost the whole of the profits increase is accounted for by the elimination of losses in South Africa, the first-time contribution from Friedland and the sale of the shares acquired in the abortive bid for Rotaflex. The buoyancy of the UK market combined with a stabilisation of the downturn overseas should enable MK to turn in £18.5m at the year end, but a disgruntled market lopped 18p off the share price to leave it at 168p. With the p/e still at 11 it is hard to see where the excitement is going to come from to take them any higher—bar, of course, the return of the perennial bid speculation.

B. Elliott £0.5m in profit midway

FOLLOWING A sharp recovery in the second half of last year, B. Elliott, machine tool maker, made a pre-tax profit of £542,000 in the six months to September 30 1986, against a £730,000 loss last time. Turnover rose 6 per cent to £30.6m.

Elliott said it was confident that it was well placed to enter a new phase of growth, but warned that the short term outlook was difficult to predict, with some signs of a fall in engineering demand at home.

The company's shares fell 5p to 72p yesterday.

First-half earnings per 25p share were 1.68p (4.26p losses) and the interim dividend is held at 1p net—last year a total of 3p was paid on £1.1m taxable profits.

An extraordinary charge of £478,000 this time related to the sale of the South African machine tool business and was after deducting the minority interest and release from the revaluation reserve.

The company said losses had been eliminated at Butler Newall. The forward workload was being maintained, largely

with export orders; the domestic demand for machine tools being low.

This low home demand had greatly reduced the contribution from the UK machine tool merchanting business which had little access to overseas markets. In addition, sales of its Japanese lines had affected by the strength of the Yen. Similar factors led to the merchanting company in Canada making a small loss.

Disposal of the loss-making machine tool operations by the South African group, coupled with the strong performance of its steel business, transformed earnings there. The company expected to be able to remit worthwhile dividends to the UK in the coming months.

New acquisitions—Clarke in the UK and Weldon in the US—had done well, performing even better than the forecasts on which the purchases were made, Elliott said.

The company was looking at what other engineering companies which would further improve the balance of investment.

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This announcement appears as a matter of record only.

Abbey Life expands investment side

Abbey Life Group, a major life assurance and financial services group, is to greatly expand its investment operations.

Its recently appointed investment director, Mr Alan Frost, has been reviewing the whole investment setup, and is implementing a number of changes.

A new investment company will be established—Abbey Life Investment Services. This

will be responsible not only for the £2bn funds internally in the group through its life and pensions, unit trusts and other activities, but will expand into external fund management. It has applied to become a licensed dealer in securities.

The new company intends to recruit four top flight fund directors/managers. Mr Frost feels that the flexible remuneration structure, salaries in the £70,000 range, will attract and

hold the right calibre person.

In conjunction with Abbey Life's newly-appointed sales director, Mr Gary Jones, Mr Frost intends to significantly raise the group profile in the whole area of investment management.

To date, the overall investment performance of Abbey Life's funds has been adequate, but without any sustained dominate performance.

Firth reduces stake in Porter

G. M. FIRTH (HOLDINGS) has sold 500,000 ordinary shares, or 10.5 per cent, in Porter, Chasbura, engineering equipment manufacturer, reducing its holding to 54.1 per cent. Firth also owns 800,000 Porter 8 per cent convertible preference shares (58.4 per cent).

The buyer is Mr R. Dinkins with whom negotiations commenced in March. The consideration is £275,000, payable next March.

The disposal is part of Firth's continuing strategy of increasing new shareholders to Porter. Firth considers that the separate development of Porter will enable a greater rate of expansion to be achieved.

In February, Firth placed with institutional investors, an element of its entitlement arising under Porter's rights issue of convertible preference shares.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

SPANDEX PLC

(Incorporated in England and Wales under the Companies Act 1948 to 1967 - No. 1266024)

Based in Bristol, the Company's principal business is the marketing and distribution of specialised computer-aided signmaking equipment, associated consumable materials and accessories, and the manufacture, design and distribution of aluminium sign systems.

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of [1,550,000] Ordinary Shares of 10p each at [170p] per share

Share Capital
Authorised, 10,000,000 Ordinary Shares of 10p each

Issued and to be issued fully paid, [8,489,000]

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued ordinary share capital of the Company on the Unlisted Securities Market. A proportion of the shares being placed are available to the public through the market. It is emphasised that no application has been made for these securities to be admitted to listing.

In accordance with the requirements of the Council of The Stock Exchange, Stock Beech will place a total of 387,500 Ordinary Shares being 25 per cent, of those being issued with Phillips & Drew, Capel-Cure Myers and County Securities Limited.

Particulars relating to the Company are available in the Extel Statistical Services end copies of the Placing Memorandum may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 4th December 1986 from:

Stock Beech & Co Limited
The Bristol & West Building,
Broad Quay,
Bristol BS1 4DD

75 Edmund Street,
Birmingham
B3 3HL

Warnford Court,
Throgmorton Street,
London EC2N 2AY
19th November 1986

APPOINTMENTS

Valin Pollen International group finance director

VALIN POLLEN INTERNATIONAL has appointed Mr Valin Pollen as group finance director from January 1. Mr Pollen was previously European financial controller of Alberto Culver. From the same date VPI's current group finance director, Mr Michael Horwood, will become deputy chairman of Valin Pollen International, in which role he will be able to devote more time to VPI's acquisition activities generally and more specifically, his role as chairman of MWB and a director of VPT&K and APT.

INBUCON MANAGEMENT CONSULTANTS has appointed Mr A. E. Potter as director, public sector services.

Ms Jean Christina has joined the board of LITTLEWOODS chain store division as marketing director. She was marketing director of H. Samuel—retail division.

From January 1 Ms Jan Murray will become secretary-general of the URANIUM INSTITUTE in succession to Mr Terence Price, who is retiring. She was assistant secretary-general. The Uranium Institute is the principal international forum of the civil nuclear fuel industry.

Mr Rowan Wilson has joined the board of CONTROL SECURITIES as an executive director in charge of acquisitions and developments. He was, until 1985, senior partner in Bell Ingram.

SIMON ENGINEERING has appointed Mr Brian Newbury as

managing director of Drake & Scull. He was group managing director and chairman of three subsidiaries of Carter Thermal Industries.

Mr David Dea has joined OFFICE INTERNATIONAL as group commercial director. He was financial director of Universal Office Supplies.

SOLAGLAS has appointed Mr Peter Bailey to Solaglas Holdings main board. He joins as managing director of the projects division, and comes from Ois Elevator Co, where he was managing director of its subsidiary, Evans Lifts.

NORCROS has appointed Mr E. W. Good, formerly production director, as managing director of Norcros International.

Mr Robin Atkins, chairman of Riley Advertising, has been appointed to the holding company board of REX STEWART & ASSOCIATES.

Following the recent reorganisation of DIVISON CANTRADE, the new board consists of the following: Mr Gerrit van Biesst, chairman; Mr Christopher Lyttelton, chief executive; Mr Geoff Chaffin, Lord Chetwode, Mr Roger Edleston, Mr Tony Fisher, Mr Bernard Le M. Lawrence, Mr Peter Nichol, Mr Tony Ward and Mr Elin.

Mr James Grover has been appointed vice chairman of GUIDEHOUSE INTERNATIONAL, a subsidiary of The Guidehouse Group. Other non-executive directors include Mr Paul van

Hilburg, based in Amsterdam, Mr Yvan based in Bonn, and Mr Robert Coleman, who mainly operates in the US.

Mr Nicholas J. Phillips has been promoted to general manager, property, for the CORPORATION OF LLOYD'S. Mr Chris Knight has been promoted to estates manager.

Mr Timothy Fox has been appointed managing director of BARDON LONDON, part of the Leicester-based Bardon Hill Group. He succeeds Mr David Manchip, who left the company recently. Mr Fox has been associated with the group since the early stages. Since 1984 he has been a director of Bardon Concrete and Bardon (Building Supplies).

COMMERCIAL INDUSTRIES (UK) has made the following appointments: chairman and chief executive Mr Viv Davidson; managing director Mr Andrew Brown; and financial director Mr Brian Stewart.

Two men from BIS applied systems training division have been appointed divisional directors: Mr David Harris-White and Mr Peter Corthale.

The following appointments have been made in the investment department of EAGLE STAR: Mr N. J. D. Ames, chief investment manager; Mr R. K. Lehman and Mrs C. A. Ames, investment managers.

Following its recent acquisition by Atochem, Polycol PVC will operate as the Polycol division of ATOCHEM UK. Mr David Greenham is appointed chief

executive in addition to his existing responsibilities. The existing management team of Mr David Johnston as marketing and sales manager, Mr Mike Hansen as technical manager, and Mr Derek Cox as production manager will remain. Mr Duncan Makin, former major shareholder and chairman of Polycol PVC, will be remaining as a consultant to Atochem UK.

BENSONS CRISPS has appointed Mr A. M. Fiddian as group finance director.

Mr Timothy M. H. Dalton, who until recently was financial controller of Five Circle Industries, has joined ALLIED-LYONS as deputy treasurer.

RUSH & TOMPKINS has appointed Mr Ian Richards as local construction director in the south east. He was director of Lovell Construction's northern office.

THE THROGMORTON SECURED GROWTH TRUST has appointed Mr Brian Rust as a director.

Mr Paul Horsley, with Bill Samuel for the last 12 years in London and New York, has become chairman of HERBERT DAWK, carbonated soft drinks manufacturer. He has also taken a controlling stake in the company.

Mr Kevin Cabbage has been appointed managing director of SPICE from January 1. He is chairman of the consumer products division of McCochie and Regan. He was managing director of Wilkinson Sword's home and garden division. Mr Gordon Spivey, currently chairman and managing director of Spice, will continue as executive chairman. Mr Derek Spivey, a non-executive director, and Mr Roger Howwood, management services director, have resigned to pursue other interests.

Senior changes at Racial subsidiaries

Mr J. A. D. Timms has been appointed deputy chairman of RACIAL-BCC and Mr David Peole becomes managing director of Racial-BCC and Racial Carlton. Mr Timms remains deputy managing director of the Twical Radio Group. He was formerly managing director of Racial-BCC and Racial Carlton. In his new post he will be organising a number of international programmes for Racial Electronics until his retirement in 1987. Mr Peole was production director of Racial-Mobical.

COUNTY INVESTMENT MANAGEMENT, the NatWest investment bank group, has appointed Mr James R. Holbrook as assistant director, responsible for marketing to institutional clients based in Europe. He was a director of City Consulting Group.

Mr Alan Mole is to take over as chairman of SEANDWICK COMMUNICATIONS. Mr Basil Towers succeeds Mr Mole as managing director, and Ms Claudia Oliver has been appointed a director.

Mr Kenneth J. Gilder has joined the board of INSETECH GROUP INVESTMENTS. He will have overall responsibility for Insetech, which includes the project engineering centre at Barton-on-Sea. He was a director of John Laing International and John Laing Construction.

DOBSON PARK INDUSTRIES has appointed Mr S. A. Greaves as a director of its mining division subsidiary company Herbert Cotterill. He is general manager of its Pinxton Works, Nottinghamshire.

International Insider Publishing Company Limited



and screeninsider

International Business Communications (Holdings) plc



The undersigned assisted in the negotiations and acted as financial advisers to the shareholders of International Insider Publishing Company Limited in this transaction

ORION ROYAL BANK LIMITED

A member of The Royal Bank of Canada Group

September 1986



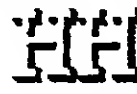
Towers & Co., Limited

a company owned by

Dalgely Crown Limited Farmers Meat Export Limited
Southland Frozen Meat Limited Towers International Limited
Waitaki International Limited Weefarmers Limited

has been acquired by

Hillsdown Holdings plc



The undersigned assisted in the negotiations and acted as financial advisers to the shareholders of Towers & Co., Limited in this transaction

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September 1986

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A/B/C Union Bank of Norway

Handwritten note: J.P. 11/19/86

UK COMPANY NEWS

Increased revenue returns Thames TV to the black

Thames Television, the week-day London ITV programme contractor, turned pre-tax losses of £3m into profits of £20.3m in the six months to September 30 1986. Turnover in the same period moved ahead from £31m to £105m—an increase of 30 per cent.

Young Brewery disappoints with £2m

UNCHANGED midyear profits of £2.02m pre-tax at Young & Co's Brewery were described as disappointing by Mr John Young, the chairman.

Abbeystead growth continues

Abbeystead, the USM quoted producer of gold and silver jewellery, lifted its profit by £93,000 to £381,000 in the six months ended August 31, 1986.

33% advance at CML Microsystems

CML Microsystems, a USM quoted maker of electronic devices, raised pre-tax profits by 33 per cent from £678,000 to £902,000 for the six months to September 30, 1986.

COMPANY NEWS IN BRIEF

YEARLINGS—Interest rate for this week's issue of local authority bonds is 11 1/2 per cent, up 1/4 of a percentage point from last week, and compared with 11 per cent a year ago.

Moran Tea lower at £639,000

As expected, Moran Tea Holdings, the tea estates, freight forwarding and property development concern, turned in reduced profits for the 12 months to June 30, 1986.

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Tea price fall cuts Williamson profits

A drop in tea prices hit pre-tax profits at Williamson Tea Holdings and the company reported an almost 82 per cent decrease from £19m to £3.5m in the year to June 30 1986.

GRAND METROPOLITAN HOTELS LIMITED (GRAND METROPOLITAN PLC)

US\$25,000,000 7 1/2% Bonds 1988/87 WE HEREBY GIVE NOTICE THAT, in accordance with the terms and conditions applicable to the above mentioned Bonds, Bonds having a principal amount of US\$132,000 have been purchased by the company and accordingly Bonds for the principal amount of US\$2,868,000 have been drawn for redemption at par on 15th December, 1986.

Table with multiple columns of bond numbers and amounts, including a list of paying agents.

Bonds not listed above are not affected by this redemption. Bonds surrendered for redemption must have attached coupon number 15 due on 15th December, 1987. Coupon number 14 due on 15th December, 1986 should be detached and collected in the usual manner.

London, 19th November, 1986 Grand Metropolitan PLC

Queens Moat Houses PLC. Placing of 22,500,000 Ordinary shares to finance the acquisition of The Bilderberg Group. Includes logos for Capel-Cure Myers and ANZ Securities UK Ltd.

32 MANAGEMENT

Davy Corporation

Surviving on natural caution

Tony Jackson explains the UK process plant group's faith in R & D

DAVY CORPORATION, Britain's biggest process plant engineer, seems to be on the mend. Last week's announcement of a proposed \$200m deal with Standard Oil of the US contrasts strongly with the dark days of 1983, when profits plunged from £20m to £2m, the dividend was halved and the share price plunged to under 40p—a fifth of the level of two years before.

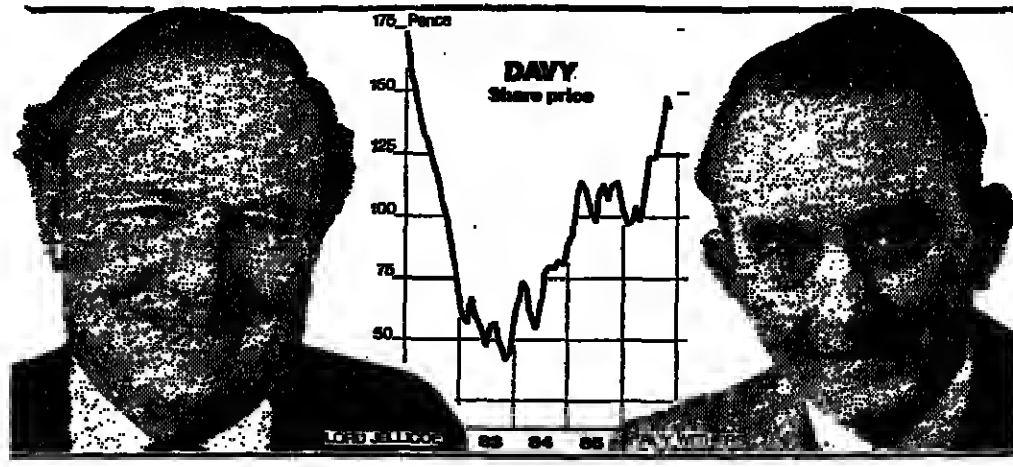
Davy's recent rehabilitation with investors began four months ago, with the announcement of full year profits back up to over £16m. The share price is now nudging 150p. This is 50p short of the 1981 peak, but then profits are also £10m short of the record £26m in 1978.

Davy has survived a particularly stressful period for big plant contractors. Petrochemicals, a big chunk of the group's business, are a fair sample of what has happened in most of Davy's markets: wildly optimistic overbuilding in the late 1970s, a period of heavy losses by customers in the early 1980s, and the industry still more concerned with overcapacity than with new investment.

Part of Davy's survival strategy was grimly familiar, from a peak in 1980 of 20,000, the group's employee total is now under 5,000. The financial cost was heavy, resulting in large net losses in both 1983 and 1984. The group has a tradition, though, of cautious financial management; the year to March 1985, which saw a bottom-line loss of £14m, also finished with the balance sheet showing net cash and investments of over £60m.

Caution and conservatism crop up throughout Davy's own account of its survival. The group has been careful, it argues, not to put all its eggs into one basket, in terms either of industrial areas or of geography.

Roy Withers, Davy's vice chairman, says "no-one foresaw the quite astounding decline in process plant in the early 1980s. But we maintained our interests in India, South East Asia, Australia and so on, precisely because we saw that you can't foresee where activity will be strong, and you therefore need to think on a world basis. When Brazil and Iran were turning down, we got 31 con-



tracts in China, and we were able to do that because we'd set up our stall in China before-hand."

Peter Waite, head of the group's petroleum and chemicals business, says "Davy has always prided itself on having a broad base of technology, and not being too exposed to any one area. So when the North Sea fell off a cliff, for instance, we didn't fall with it."

The group has had its disasters, such as an olefins plant in the USSR which cost it over £14m in the early 1980s. But it was less involved than most in the mega-projects which characterised the late 1970s. Waite says: "Davy has not really gone for the low-margin projects where the skill is marshalling a large number of bodies." Or, as the chairman Lord Jellicoe puts it: "It is process technology we're selling, not just hours of engineering work."

The deal announced last week is an example of this, proposing as it does that Davy should build a plant for Standard Oil, costing an estimated \$200m, which will use technology developed in Davy's own research laboratories.

Davy is unusual among process plant contractors in its insistence on in-house research. The group as a whole spends around £5m a year on R & D. This is small beer compared with the likes of ICI, Britain's major chemicals group, but as Waite says, "a couple of years ago when we were only making £8m pre-tax the temptation to trim was great—and we didn't."

As another Davy executive puts it: "Staying in R & D was natural caution."

The technology for the Standard Oil project, involving the manufacture of three rather recondite chemicals—1,4 butadiene, gamma-butyrolactone and tetrahydrofuran—is derived from a research project which originated 15 years ago. Davy, Johnson Matthey and Union Carbide joined forces in 1971 to develop a cheaper way of making Oxo alcohols, used as plasticisers in making PVC.

The first plant to emerge from that project was built for Union Carbide in Puerto Rico in 1976. Twelve more have been built since, in the US, Sweden, West Germany, Poland, China, Japan and Korea. Davy meanwhile carried on independent research in its UK laboratory at Stockton. The chemistry is complex, but it would appear that the process threw off an unwanted by-product which the researchers worked at reclaiming. The resulting process, says Davy, turned out to lead to the chemicals involved in the Standard deal. They can now be made from the intermediate chemical maleic anhydride, which Standard can in turn produce cheaply using butane rather than the more expensive acetylene as a feedstock.

The Standard construction contract—which is not yet signed—is not unusually big in this business. It is the fringe benefits which point up the advantages of proprietary technology. Davy would aim to get a lump sum payment for the

technology itself, a royalty on sales—and since the licensing is to be exclusive to Standard—the right to construct any future plants Standard may build around the world using the technology.

Much of Davy's technology has come through the acquisition of companies, one of the best examples being the 1971 purchase of Zimmer. Zimmer specialises in plant design and the supply of proprietary equipment to the artificial fibre industry.

For Waite this raises all sorts of optimistic ideas. "With Standard, we will have a chain which takes us from butane through to butenediol. Our Zimmer technology then takes us to PBT (polybutylene terephthalate), which is the route into engineering plastics. We then ought to be able to go on to PBT fibres, which should be very competitive with nylon fibres. There are various exit points along the route, all of which have commercial significance, and all involving plant which Davy can supply and build."

This might suggest Davy moving into new areas of activity. Most Davy executives—cautious as ever—denur, saying that they are plant contractors pure and simple. The chairman Lord Jellicoe—like Waite, a relative newcomer to the company—sees it differently. "I wouldn't necessarily discard a joint venture or an equity stake in a new process," he says. "That's a higher risk approach, and a new route for Davy—but I wouldn't rule it out."

IT TAKES about a generation for new ideas to become conventional wisdom. In the 19th century the number of limited liability companies grew only slowly after limited liability legislation was first introduced in 1855. By 1885 there were still only 60 "limiteds" in domestic manufacturing and distribution quoted on the London Stock Exchange. Then growth was rapid: with 500 new public companies in two decades. Now—100 years after this boom in public quotations—there is a wave of centenaries, and a wave of company histories to celebrate them.

Few chairmen and managing directors realise how organising a company history can tie them up in knots. GEC, the electronics group—despite commissioning distinguished authors and blue chip publishers—ended last year without its planned centenary history. Others—from retailer Marks and Spencer through Incecape, the international trader, and British Petroleum, to retailer W. H. Smith—got it right. There are more to come soon: Grand Met (hotels and leisure), Glaxo (chemicals and pharmaceuticals), GKN (engineering) and Morgan Grenfell (merchant bank).

Not all are centenary histories (and it reduces the time pressure on the author if they are not), but most go back 100 years or more. How does a company go about hiring a historian? The favourite route is via the chairman's alma mater.

This is the classic route pioneered by the UK textiles group Courtauld, Filkington, the glassmaker and Unilever, detergents and foods group. Their histories were written by Donald Coleman, Theo Barker and Charles Wilson, all economic historians of Cambridge, the London School of Economics and Cambridge, respectively.

If the conversation with the favoured university historian "clicks," this method is fine, but it is difficult for a company otherwise to get impartial professional advice. Publishers will sometimes take on the task; Tim Farnham of Macmillan, for example, has some expertise in this field.

PR firms are good at advising on glossy commemorative brochures, but usually flounder when full-scale book publication is wanted. Some literary agents (AP Watt, Jennifer Kawaguchi and Campbell, Thomson, McLaughlin are among the best) will advise on authors, but they are, of course, acting for the authors rather than the company.

A new enterprise seeking to

Corporate histories

Limited liability offers a 1980s boom

Leslie Hannah advises companies on literary approaches to their centenary celebrations

fill the gap started up last year trading as Debre's Business History Research. Professor Theo Barker is chairman and Stephanie Zarach (formerly an Electricity Council and Atomic Energy Authority historian) is Director of Research, coordinating a team of freelancers. They take full responsibility for the history on a commercial basis and are slowly building up a portfolio of clients including Linklaters & Paines and other professional firms.

The Business History Unit at the London School of Economics has 82 firms among its sponsors, and provides a (free) advice service for directors considering commissioning a history.

Companies need to get clear in their mind on what basis the writer is working. The best authors will only accept commissions on a "warts and all" basis. Litterati of the past, like Compton McKenzie, were known for only accepting business commissions at ridiculous fees, but I have not yet encountered one in England who followed the example of a German professor I once met. His fee was DM 100,000 if the book were published, but DM 200,000 if the company suppressed it!

There have been cases where the company did not think the history suitable and has not published; they include Guinness, the drinks and leisure group, and Kleinwort Benson, the merchant bank. The reason can be the discovery of a skeleton in the cupboard, but is just as likely to be a new chairman with different views.

Suppression is obviously not popular with authors for whom it means the loss of an academic promotion or a commercial shop window. Disagreements are per-

haps not surprising; history is more controversial than one might think, as British TV viewers have been reminded recently by the Monocled Mutineer controversy.

Many are the company chairmen who have had to admit that in the end their view of the offending manuscript is not that much different from that of the Communist Party of the Soviet Union on the question of the freedom to write history!

But for history to be taken seriously, the author has to be free to make his own reasonable judgments, subject only to arbitration in matters where premature divulgence of recent history would be commercially costly. Patents or antitrust are common areas of difficulty, but most authors will accept reasonable arbitration clauses to cover such cases.

Of course, some companies have more fundamental problems which require really creative writers. In particular, the ravages of wartime bombing, Thames flooding and the combined impact of rats and takeover bids have quite devastated many companies' records. Advice on archival questions is available from the Business Archives Council, which now has more than 50 years' experience of advising companies on the long-term problems of records management.

Will it all be worthwhile when the author's manuscript finally lands on the boardroom table? Most companies are usually bappy and the books certainly last longer than the champagne reception, staff bonuses, charity concerts, and other centenary celebrations. On publication the book is sometimes greeted with remarks reminiscent of Henry Ford ("History is bunk") Ford, and

the old hands think they could have done the job better themselves.

On the other hand, some delighted companies find their corporate culture reinforced by the historical record: it is no accident that almost all Japanese companies and most of the companies mentioned in the "Excellence" books by Peters and Waterman have corporate historians.

Many comment that history provides experience cheaply which originally cost dearly. The result is that the corporate historian is drafted in to participate in in-house management training; he provides a broader perspective and a ready source of case studies.

But business historians in Britain still have a long way to go. There are still no history consultancies as well established and professional as the Winthrop Group in the US. And it remains rare to hire historians to write contemporary history, as some US corporations are now doing. Wells Fargo Bank has a team of 13 historians working on archives (some of them part of its publicity team) and making collection of recorded interviews with retiring executives to preserve the corporate memory.

At T. U. S. telecommunications group, has asked Professor Peter Temin of MIT to record the results of deregulation in America from inside the corporation, using contemporary documentation. (A lesson here for Sir George Jefferson and British Telecom?)

One of the surprise spin-offs of Mrs Thatcher's university policies is an increased willingness to take on contract research of this kind to supplement departmental budgets and provide employment for their graduates. The current boom in company nostalgia may be demanded from the accidental concentration of centenaries; but the supply push looks like being just strong with the current squeeze on the universities' traditional activities continues.

Professor Leslie Hannah is Director of the Business History Unit at the London School of Economics.

Some useful addresses: Business Archives Council, 195 Tower Bridge Road, London, SE1 (Tel: 01-407 6110); British History Unit, 10, Porcupine Street, London WC2A 2HD (Tel: 01-405 7888 & 3140); Campbell, Thomson, McLaughlin, Literary Agents, 31 Newington Green, London N16 9PU (Tel: 01-246 2371); Debre's Business History Research, 25/26 Rajon Street, London SW1V 4JZ (Tel: 01-830 8824); Jennifer Kawaguchi, Literary Agent, 38 Camden Park Road, London NW1 2AX (Tel: 01-482 3676); Macmillan Press, 4 Little Essex Street, London WC2R 2EP (Tel: 01-836 9823); A. P. Watt, Literary Agents, 25/26 Bedford Row, London WC1R 4EU (Tel: 01-405 6744); The Winthrop Group, 17 Dinsair Court, PO Box 80, Cambridge, Mass 02238 USA (Tel: (617) 481-0771).

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The Financial Times is proposing to publish the following Surveys on the dates listed below:

Friday 20 February	Electronics in Printing (Desk Top Publishing)
Monday 23 February	Office Design and Furniture
DTBA April	Information Management
Wednesday 29 April	Mobile Communications
Monday 8 June	Refurbishment
Tuesday 1 September	Office Equipment
Monday 19 October	Telecommunications

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AUTHORISED UNIT TRUSTS

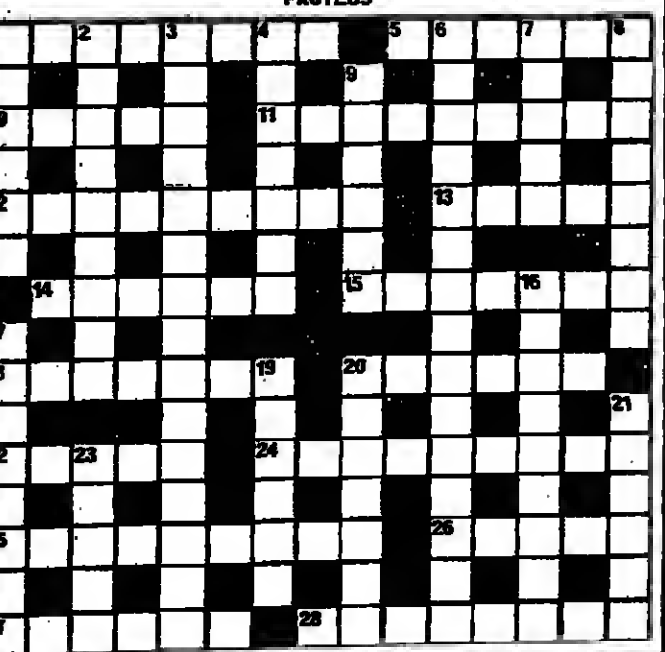
Table listing various unit trusts such as Abbey Unit Trust, Allied Dealer Unit Trusts, and others, including their managers and details.

FT UNIT TRUST INFORMATION SERVICE

Main table listing numerous unit trusts, their managers, and other details. Includes entries like Bridge Fund Managers, Fidelity Investment Services, and many others.

Advertisement for 'TODAY'S ANAGRAM' featuring a word puzzle and the text 'MARRY! LUST! VICE! REMARKS G. THE FIERY PENT-UP MALE (6,7,2,6,4,3,4)'. Includes contact number 01-460-4545.

FT CROSSWORD PUZZLE No. 6,181



ACROSS clues: 1 Levers of power in birds' drinking-places? (4-4), 5 Old car to take to the dance (9), 10 One wood that appears perfect (5), 11 Bird finding answer in amalgamation (9), 12 Bird finding corn husks on island (9), 13 Go right back for example into ravine (5), 14 Girl with European type of aerial (6), 15 Don't do anything to be a burden (7), 16 Conducted negotiations and bought drinks all round (7), 17 American comedian getting first laugh with fish (6), 18 About to hold up early opening in foreign currency (5), 19 City sailors that work only when thrown into water (4,5), 20 One affronted about being cut off (9), 21 Liberal in first-class compartment or elsewhere? (5), 22 First German composer to have kidney trouble (6), 23 Have side plastered with sticky substance (8). DOWN clues: 1 Drive home with first love in tight hold (6), 2 Effective workman (9), 3 Totally unexpected athletic acceleration? (4, 4, 3, 4), 4 Tell tales of Italian church? (7), 5 Where to get a house for nothing say (8, 4, 3), 6 One who gets up several times in a flight (6), 7 Serviceman giving material to worker (8), 8 More coy than Jeffrey or Dan perhaps (6), 9 Anyone in London may see the picture of his marriage to Lorna Turner if in doubt (9), 10 Left gazing round at bird (3), 11 Discussion on what society girl had to eat? (6), 12 Happened to need time in bed (7), 13 Hope to see mixed pairs early first (5), 14 Keep a staff to produce Italian food (5). Solution to Puzzle No. 6,180 is provided at the bottom.

INSURANCES section listing various insurance companies and their details.

AUTHORISED UNIT TRUST & INSURANCES

Main table listing various insurance and unit trust products, including American Life Insurance Co UK, Carwell Insurance PLC, and others, with columns for product names, descriptions, and prices.

JP 11/15/86

Handwritten note: "11/19/86"

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including company names, addresses, and contact information.

Table listing international and overseas funds, including fund names, managers, and performance metrics.

Table listing money market funds, including fund names, managers, and performance metrics.

Table listing offshore and overseas services, including company names and contact details.

Table listing additional international and overseas funds.

Table listing additional money market funds.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas services, including company names and contact details.

Table listing additional international and overseas funds.

Table listing additional money market funds.

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Table listing offshore and overseas services, including company names and contact details.

Table listing additional international and overseas funds.

Table listing additional money market funds.

Money Market Trust Funds

Table listing money market trust funds, including fund names and performance metrics.

Money Market Bank Accounts

Table listing money market bank accounts, including bank names and account details.

TRADITIONAL OPTIONS

Table listing traditional options, including option names and prices.

NOTES

Text providing notes and additional information regarding the funds and services listed.

TRADITIONAL OPTIONS

Table listing traditional options, including option names and prices.

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COMMODITIES AND AGRICULTURE

All-change again on green currency

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission last night performed an unexpected "about turn" by putting forward proposals to help British and French meat farmers.

and France after Monday's decision by a special meeting of EEC commissioners in Brussels last night to respond to the special pleas for help from British beef farmers and the French lamb lobby.

The commission came up with its new package yesterday by means of the so-called "accelerated written procedure". This is a rare, but not unprecedented, procedure which does not involve a formal meeting of commissioners.

EEC's policy acrobatics anger UK and France

BY TIM DICKSON

"IT LOOKS like a non-story but it's a damn good tale," says one Brussels observer summed up the European Commission's failure on Monday morning to come forward with proposals to help British beef farmers and French lamb producers.

The apparent non-event, in fact, has created a major political lullaby which was rumbling on throughout yesterday and raised all sorts of important questions about EEC agricultural policy, including the consequences for British farmers of Mrs Thatcher's continued refusal to join the European Monetary System (EMS).



Mr John Gummer... Notably irritated

The episode also inspired the not entirely unfamiliar image of Mr Frans Andriessen, the EEC's Farm Commissioner, standing on his head and the entire family spectacle, which European farming is concerned, of blatant political considerations outweighing some fundamental economic truths.

According to the National Farmers' Union the consequent reduction in Irish monetary compensatory amounts (MCAs) — used to even out fluctuations in national currencies — represented an immediate "gain" to the Irish of about £24 a head and has inspired a large increase in Irish exports of beef to the UK and particularly serious distortions — including opportunities for cross-border smuggling — in Northern Ireland.

Developments last night seemed to indicate that acrobatic display was not yet over.

As it happened, only 10 of the 17 EEC Commissioners turned up to Monday's special meeting to consider the package with the result that the necessary nine votes in favour could not be mustered.

Whether the seven absentees missed planes or deliberately stayed away is the subject of some speculation in Brussels but it is rare for Mr Andriessen not to get his way on a package of this importance.

As the proposed measures would certainly have involved a cost to the EEC budget — though one not publicly (or some say privately) quantified. It is also increasingly pointed out in Brussels that if sterling had been subject to the discipline of the EMS, the British problem would be significantly less serious.

Developed world mine closures inevitable, says Amax chief

BY CHRIS SHERWELL IN PERTH

MINE SHUTDOWNS in industrial countries are inevitable because mining activities by less developed countries had totally altered the industry's outlook in the free world, Mr Allen Born, president and Chief Executive of Amax, the US Minerals Corporation, warned yesterday.

He was speaking at an international conference in Perth, Western Australia, on trade and investment in Pacific Rim nations. His gloomy remarks reflected his conviction that the world minerals business was "in a sorry state."

Mr Born said less developed countries were subsidising their mining industries and not worrying about environmental effects, regulations or costs. They were not even concerned with profit and loss, because of their need for foreign exchange

and domestic employment. The result was that high cost producers were going out of business and jobs and export earnings were being lost. At the same time, the developed countries offered little in return as consumer markets.

Talks may revive rubber pact hopes

BY WONG SULONG IN KUALA LUMPUR

THE SS producer and consumer members of the International Natural Rubber Organisation (Inro) are expected to take the opportunity of a three-day Inro council meeting, starting here today, to explore the prospects for another round of negotiations on a new rubber agreement.

bring about another round of negotiations and which has suggested dates from January to March next year.

Hopes that a fourth round of talks could be agreed in Kuala Lumpur were also boosted by the fact that senior delegates from both producing and consuming participants, in the Geneva talks, would be attending the Inro council meeting.

The current agreement will expire in October next year, after being extended for two years. If no agreement is reached, the 570,000 tonne rubber stockpile would have to be liquidated among Inro members, a prospect which producers want to avoid.

"We are interested to have a new rubber agreement, but not at any price," said a senior Malaysian rubber official. He said the producers "had practically given up all their positions at Geneva," and the ball

was now at the feet of the consumers. Consumers have indicated that they are prepared to discuss the possibility of a new rubber agreement, but the Malaysian official said: "If they want to make major official changes to the agreement, we are not interested."

The main obstacle at the moment is the consumers' demand for major changes to article 32, governing the reference price. They want far-reaching changes in the price adjustment mechanism, including a minimum 5 per cent automatic price revision whenever the market price during the six-month period preceding a price review on average exceeded the trigger levels at which the bufferstock manager has to buy or sell.

Producers have agreed to leave the reference price of 201.68 Malaysian Singapore dollars a kilo unchanged. Originally, they wanted an upward revision of 25 cents.

Denmark set to curb farmers' use of nitrogen

By Hilary Barnes in Copenhagen

DENMARK is set to become the first European country to compel farmers to cut the use of artificial fertilisers in the cause of reducing environmental pollution.

The Folketing yesterday passed a resolution calling on the Government to present plans by February 1 for reducing the wash-out into Danish waters of nitrogenous wastes by half over the next three years and the wash-out of phosphorous wastes by 50 per cent over the same period.

One of the main features of the plans being considered by Mr Christian Christensen, the Minister for the Environment, is the reduction by a quarter, or 100,000 tonnes, of the use of nitrogen fertilisers by the farmers.

Following a breakdown in negotiations between the agricultural organisations and the minister this month on a scheme to control fertiliser use voluntarily, Mr Christensen has made it clear that compulsion will have to be used.

The resolution has come in response to the discovery of the deoxygenation of areas off the Danish coasts this autumn as a result of the growth of algae which feed on nitrogen and phosphorous wastes.

The farmers are dismayed by the momentum which the political campaign against fertiliser use has gained this autumn.

They are already under financial pressure as a result of low world market food prices and measures being taken to curb the European food surplus.

"We feel like hunted animals," said Mr Joergen Laursen Vig, chairman of the Association of Pig Breeders, at the weekend. Farmers' organisations estimate that the proposed nitrogen cut will cause a production loss worth about Kr 600m (£55m). And there are fears that the indirect consequence could be even greater.

Some farm experts say that limiting fertiliser use will not necessarily stop the wash-out of wastes. It means that farmers stop sowing winter corn, so that fields are left bare through the winter, the wash-out of nitrogenous wastes could actually increase, according to Mr Kaj Skriver, a consultant at the National Office for Plant Breeding.

Canadian Mint updates Maple Leaf plant

By Bernard Simon in Ottawa

THE Canadian Mint hopes to become a force in the international collectors' coin market and to improve the competitiveness of the Maple Leaf series as a result of an extensive renovation and expansion of its Ottawa manufacturing facility.

The C27m (£13.8m) development which was formally inaugurated yesterday includes the installation of a rolling mill and blanking machines, giving the Mint an integrated production line from precious metals refining to the striking of finished coins.

Blanks were previously bought from two precious metal refiners, Johnson Matthey and Englehard Corporation.

The Mint set up in 1985 as a branch of the Royal Canadian Mounted Police to strike gold sovereigns from gold mined in the Yukon, is the world's third biggest gold refiner. Over 90 per cent of its C950m in revenue last year came from exports.

The Canadians have also supplied circulation coinage to 25 countries in the past decade, including New Zealand, Mexico and Bangladesh. The Mint plans to use these international contacts, the cost benefits of its new integrated production process, and the relatively weak Canadian dollar to gain a foothold in the numismatic coin market. It has already carried out extensive international market research for a series of coins to commemorate the Calgary 1988 Winter Olympics.

A Mint official said yesterday that savings on the new production facilities will enable it to expand the Maple Leaf production budget. The Maple Leaf has been the main beneficiary of the demise of the South African Kruggerand, with its share of the gold coin market rising from 35 per cent in 1984 to 85 per cent in the first half of this year.

LONDON MARKETS

AFTER MOVING higher in the morning, London's coffee futures market resumed its recent slide in the afternoon, reflecting a weaker-than-expected opening on the New York market.

The January position ended at £1,970.50 a tonne, taking the fall on the week so far to £74.50. This week's fall has taken the International Coffee Organisation's daily indicator price below the 145 cents a pound level which, if maintained on average for 15 days, would trigger consideration by the ICO Board of the re-imposition export quotas, suspended earlier this year following a sharp rise in prices.

The coffee market also continued to weaken with the March futures position ending another £16 to £1,511.50 a tonne. Once again the trend was set in New York. The recent heavy fall in the price ended with only a very modest rally on the day of \$0.125 following Monday's \$17.75 fall.

LME prices supplied by Amalgamated Metal Trading.

Table with columns: Metal, Price, Change, etc. Includes Aluminium, Copper, Lead, Nickel, Tin, Zinc, etc.

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INDICES

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US MARKETS

AGAINST A background of another dramatic drop in New York stock index futures, New York gold futures managed to post gains of over \$5 in the afternoon session as the technical weakness of the market since the end of last week encountered good support after Far Eastern and European spot markets had approached key areas around \$385 per ounce, reports Heindl.

Dealers noted some switching out of the December position ahead of the first notice day later in the month. Rumours, still unsubstantiated at the close, that the IBC president had left his post accelerated another weak day on the coffee market, with December values hitting \$1.50 per pound as steps were activated around 145.00. However, short-covering and rumoured trade support rallied the market. Dealers were still reporting a very nervous atmosphere in coffee, with prices faltering a little, with December delivery prices slipping over 20c at one point before finding good speculative support, which saw values rise to \$15.60 towards the close.

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ORANGE JUICE 15,000 lb, cans/box

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar nervous ahead of GNP

THE DOLLAR surrendered early gains in nervous trading ahead of today's release of US third-quarter GNP revisions. Expectations of a 2.6 per cent increase compared with a previous 2.4 per cent encouraged traders to cover short positions during the morning. However, this appeared to be the extent of the dollar's advance and its failure to hold above the DM 2.02 level prompted renewed selling in the afternoon.

There appeared to be little depth to the dollar's early rally with the market still concerned about the size of the US trade deficit and budget deficit. In addition both Japan and West Germany continued to show healthy trade surpluses and this appeared to be psychologically important even though a majority of US imports do not come from those two countries. Today's closure of the West German centre and a decision by the Bundesbank not to hold a press conference after tomorrow's meeting of the central council also affected dollar sentiment.

The dollar touched a high of DM 1.9875, closed at DM 1.9925, unchanged from DM 1.9925 on Monday. Against the yen it closed at FF 161.17, unchanged from FF 161.17 on Monday. Against the pound it closed at £ 1.5425, unchanged from £ 1.5425 on Monday. Against the Swiss franc it closed at Sfr 1.4825, unchanged from Sfr 1.4825 on Monday. Against the Japanese yen it closed at ¥ 162.50, unchanged from ¥ 162.50 on Monday. Against the Hong Kong dollar it closed at HK\$ 7.75, unchanged from HK\$ 7.75 on Monday. Against the New Zealand dollar it closed at NZ\$ 1.32, unchanged from NZ\$ 1.32 on Monday. Against the Australian dollar it closed at A\$ 1.48, unchanged from A\$ 1.48 on Monday. Against the Canadian dollar it closed at C\$ 1.02, unchanged from C\$ 1.02 on Monday. Against the South African rand it closed at R 1.52, unchanged from R 1.52 on Monday. Against the Indian rupee it closed at ₹ 16.50, unchanged from ₹ 16.50 on Monday. Against the Singapore dollar it closed at S\$ 1.35, unchanged from S\$ 1.35 on Monday. Against the Thai baht it closed at ฿ 20.50, unchanged from ฿ 20.50 on Monday. Against the Philippine peso it closed at ₱ 48.50, unchanged from ₱ 48.50 on Monday. Against the Indonesian rupiah it closed at Rp 1,650, unchanged from Rp 1,650 on Monday. Against the Malaysian ringgit it closed at RM 1.50, unchanged from RM 1.50 on Monday. Against the Hong Kong dollar it closed at HK\$ 7.75, unchanged from HK\$ 7.75 on Monday. Against the New Zealand dollar it closed at NZ\$ 1.32, unchanged from NZ\$ 1.32 on Monday. Against the Australian dollar it closed at A\$ 1.48, unchanged from A\$ 1.48 on Monday. Against the Canadian dollar it closed at C\$ 1.02, unchanged from C\$ 1.02 on Monday. Against the South African rand it closed at R 1.52, unchanged from R 1.52 on Monday. Against the Indian rupee it closed at ₹ 16.50, unchanged from ₹ 16.50 on Monday. Against the Singapore dollar it closed at S\$ 1.35, unchanged from S\$ 1.35 on Monday. Against the Thai baht it closed at ฿ 20.50, unchanged from ฿ 20.50 on Monday. Against the Philippine peso it closed at ₱ 48.50, unchanged from ₱ 48.50 on Monday. Against the Indonesian rupiah it closed at Rp 1,650, unchanged from Rp 1,650 on Monday. Against the Malaysian ringgit it closed at RM 1.50, unchanged from RM 1.50 on Monday.

Table with columns: Nov 18, Latest, Previous. Rows for Sterling Index (3 month, 6 month, 12 month) and Dollar Spot (1 month, 3 month, 6 month, 12 month).

Table with columns: Nov 18, Day's spread, Close, One month, % change, Three months, % change, Six months, % change, One year, % change. Rows for various currencies including US, UK, West Germany, France, Italy, Spain, Portugal, Greece, Ireland, Belgium, Netherlands, Denmark, Norway, Sweden, Switzerland, Japan, Australia, New Zealand, South Africa, Canada, Hong Kong, Singapore, Thailand, Philippines, Indonesia, Malaysia, South Korea, Taiwan, and others.

Table with columns: Nov 18, Rank, Spread, Current, Previous. Rows for various currencies including Sterling, US Dollar, Canadian Dollar, Japanese Yen, Swiss Franc, French Franc, Italian Lira, Dutch Guilder, West German Mark, Australian Dollar, New Zealand Dollar, South African Rand, Hong Kong Dollar, Singapore Dollar, Thai Baht, Philippine Peso, Indonesian Rupiah, Malaysian Ringgit, and others.

Table with columns: Nov 18, Short term, 7 days, One month, Three months, Six months, One year. Rows for various currencies including Sterling, US Dollar, Canadian Dollar, Japanese Yen, Swiss Franc, French Franc, Italian Lira, Dutch Guilder, West German Mark, Australian Dollar, New Zealand Dollar, South African Rand, Hong Kong Dollar, Singapore Dollar, Thai Baht, Philippine Peso, Indonesian Rupiah, Malaysian Ringgit, and others.

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FINANCIAL FUTURES

PSBR fails to lift gilts

LONG-TERM gilt futures weakened on the London International Financial Futures Exchange yesterday. Forecasts for the October UK public sector borrowing requirement varied widely from about £700m to £1.2 billion, and although the PSBR figure of £50m was generally considered encouraging, the market appeared to be a little disappointed. This may have reflected the fact that Government borrowing is on target because of high levels of Government tax revenue caused by consumer spending. Longer term cash prices fell by about 1/4 point, and futures prices also declined.

The weakness of sterling in early foreign exchange trading, led to a fall to 107.27 in long-term gilt futures for December delivery at yesterday's opening. But this was still fairly near the day's peak of 107.28. The contract fell to a low of 107.20 and closed at 107.23, compared with 107.08 on Monday. Volume of 12,976 for the December contract was regarded as fairly high, given the rather narrow range of trading, with the latest suggesting that last month's Big Bang in the City had underpinned the level of trading. December three-month sterling deposits also reacted to sterling's fall, opening weak at 88.71. The contract also closed at that level, around the middle of the day's range of 88.67 to 88.74, and compared with Monday's close of 88.80.

US Treasury bond futures were firmer on the day, but closed well below the strong opening of 98.50, after Chicago opened slightly lower. Apart from a technical downward correction, after recent gains, there was also evidence of position squaring ahead of today's revised figure on US third quarter gross national product growth. December US bonds closed at 98.24 on Liffe, compared with the previous settlement of 98.06.

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LONG-TERM gilt futures weakened on the London International Financial Futures Exchange yesterday. Forecasts for the October UK public sector borrowing requirement varied widely from about £700m to £1.2 billion, and although the PSBR figure of £50m was generally considered encouraging, the market appeared to be a little disappointed. This may have reflected the fact that Government borrowing is on target because of high levels of Government tax revenue caused by consumer spending. Longer term cash prices fell by about 1/4 point, and futures prices also declined.

The weakness of sterling in early foreign exchange trading, led to a fall to 107.27 in long-term gilt futures for December delivery at yesterday's opening. But this was still fairly near the day's peak of 107.28. The contract fell to a low of 107.20 and closed at 107.23, compared with 107.08 on Monday. Volume of 12,976 for the December contract was regarded as fairly high, given the rather narrow range of trading, with the latest suggesting that last month's Big Bang in the City had underpinned the level of trading. December three-month sterling deposits also reacted to sterling's fall, opening weak at 88.71. The contract also closed at that level, around the middle of the day's range of 88.67 to 88.74, and compared with Monday's close of 88.80.

US Treasury bond futures were firmer on the day, but closed well below the strong opening of 98.50, after Chicago opened slightly lower. Apart from a technical downward correction, after recent gains, there was also evidence of position squaring ahead of today's revised figure on US third quarter gross national product growth. December US bonds closed at 98.24 on Liffe, compared with the previous settlement of 98.06.

Table with columns: Nov 18, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Rows for various futures contracts including US Treasury Bonds, US Treasury Bills, and others.

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EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Last, Bid, Ask, Vol, Last, Bid, Ask, Vol, Last, Bid, Ask, Stock. Rows for various options contracts including COLD, GOLD, and others.

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Advertisement for First Interstate Capital Markets, Inc. featuring 250,000 Warrants to Purchase 7 1/4% U.S. Treasury Notes Due November 15, 1996, 250,000 Warrants to Purchase 7 1/2% U.S. Treasury Bonds Due November 15, 2016, and 250,000 Warrants to Purchase either the 7 1/4% U.S. Treasury Notes or the 7 1/2% U.S. Treasury Bonds.

INDUSTRIALS - Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, high, low, and volume.

LEISURE - Continued

Table of leisure stocks including companies like British Skyways, British Telecom, and British Airways.

PROPERTY - Continued

Table of property stocks including companies like British Land, Granada, and British Telecommunications.

INVESTMENT TRUSTS - Cont.

Table of investment trusts including companies like British American Tobacco, British Airways, and British Telecom.

FINANCE, LAND - Cont.

Table of finance and land stocks including companies like British American Tobacco, British Airways, and British Telecom.

MINES - Continued

Table of mining stocks including companies like Anglo American, De Beers, and Anglo Coal.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland, British Aerospace, and British Airways.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like News International, Newsprint, and Newsprint.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including companies like Newsprint, Newsprint, and Newsprint.

SHIPPING

Table of shipping stocks including companies like British Overseas Airways, British Airways, and British Airways.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Airways, British Airways, and British Airways.

SOUTH AFRICANS

Table of South African stocks including companies like Anglo American, De Beers, and Anglo Coal.

TEXTILES

Table of textile stocks including companies like British Airways, British Airways, and British Airways.

TOBACCO

Table of tobacco stocks including companies like British Airways, British Airways, and British Airways.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Airways, British Airways, and British Airways.

PROPERTY

Table of property stocks including companies like British Land, Granada, and British Telecommunications.

LEISURE

Table of leisure stocks including companies like British Skyways, British Telecom, and British Airways.

OIL AND GAS

Table of oil and gas stocks including companies like Anglo American, De Beers, and Anglo Coal.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like British Airways, British Airways, and British Airways.

PLANTATIONS

Table of plantation stocks including companies like British Airways, British Airways, and British Airways.

MINES

Table of mining stocks including companies like Anglo American, De Beers, and Anglo Coal.

NOTES

Notes section containing various financial notices and company announcements.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including companies like Anglo American, De Beers, and Anglo Coal.

Recent Issues and Rights Page 42 (Interim Edition Page 40)
This service is available to every company listed in the Stock Exchange throughout the United Kingdom for a fee of £275 per annum for each security.

WORLD STOCK MARKETS

AUSTRIA

Table of stock prices for Austria, including companies like Creditanstalt, Oesterreichische, and others.

GERMANY

Table of stock prices for Germany, including companies like Allianz, BASF, and others.

NORWAY

Table of stock prices for Norway, including companies like Bergens Bank, Oslo, and others.

AUSTRALIA (continued)

Table of stock prices for Australia, including companies like BHP, Rio Tinto, and others.

JAPAN (continued)

Table of stock prices for Japan, including companies like Dai Nippon, Fuyo, and others.

CANADA

Table of stock prices for Canada, including companies like Alcan, Inco, and others.

BELGIUM/LUXEMBOURG

Table of stock prices for Belgium/Luxembourg, including companies like SAB, SIBEL, and others.

SPAIN

Table of stock prices for Spain, including companies like Banco de España, and others.

SWEDEN

Table of stock prices for Sweden, including companies like Alfa, and others.

HONG KONG

Table of stock prices for Hong Kong, including companies like Bank East Asia, and others.

JAPAN

Table of stock prices for Japan, including companies like Dai Nippon, and others.

SINGAPORE

Table of stock prices for Singapore, including companies like Southeast, and others.

DENMARK

Table of stock prices for Denmark, including companies like Danica, and others.

ITALY

Table of stock prices for Italy, including companies like Banco di Sicilia, and others.

FINLAND

Table of stock prices for Finland, including companies like Amer, and others.

NETHERLANDS

Table of stock prices for Netherlands, including companies like ADF, and others.

FRANCE

Table of stock prices for France, including companies like Air France, and others.

NETHERLANDS

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INDICES

Table of stock indices for various countries, including Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Netherlands, Norway, Singapore, Sweden, Switzerland, and the UK.

NEW YORK STOCKS

Table of stock prices for New York, including companies like IBM, AT&T, and others.

NEW YORK BONDS

Table of bond prices for New York, including Treasury bonds and other securities.

NETHERLANDS

Table of stock prices for Netherlands, including companies like ADF, and others.

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Table of stock prices for Netherlands, including companies like ADF, and others.

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Table of stock prices for Netherlands, including companies like ADF, and others.

OVER-THE-COUNTER Nasdaq national market, closing prices. Includes a large table of stock prices and a sidebar with 'Get your News early in Stuttgart' advertisement.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock symbols, prices, and other financial data.

Kidder, Peabody International Limited

International Investment Bankers

Kidder, Peabody & Co. Incorporated

New York • London • Paris • Geneva • Zurich • Hong Kong • Tokyo

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, High, Low, Close, and Change. Includes sub-sections for 'Continued from Page 42' and 'Continued on Page 41'.

Table of AMEX Composite Closing Prices. Columns include Stock, High, Low, Close, and Change. Includes sub-sections for 'Continued from Page 42' and 'Continued on Page 41'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, High, Low, Close, and Change. Includes sub-sections for 'Continued from Page 42' and 'Continued on Page 41'.

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Fall gathers pace as selling grows

SELLING PRESSURE spread beyond the speculative takeover stocks and prices tumbled on Wall Street yesterday, writes Roderick Orum in New York.

The decline was confined to a few points during the morning, but in early afternoon a steep slide was triggered by growing fears of the implications of the Boesky insider trading scandal. No support for stocks was available from the bond market which was drifting lower.

The Dow Jones industrial average closed down 43.31 at 1,817.21, its sharpest drop since the record declines on September 11 and 12. The New York Stock Exchange composite index fell 3.42 to 136.48, with declining issues swamping rising by 1,377 to 286. Volume was heavy at 185.26m.

The feeling was widespread among market participants that takeover speculation which had carried the market up more than 150 points was a spent force. As the decline started, falling stock index options triggered computerised sell programmes in the underlying stocks.

The two most active issues were falling takeover stocks. Gillette fell 8 1/4 to \$60 on volume of 3.5m shares. It is the

object of a takeover bid from Mr Ronald Perelman who makes extensive use of advice and junk-bond financing from Drexel Burnham Lambert which is under scrutiny by the Securities and Exchange Commission in the Boesky insider trading scandal.

Similarly, USX fell 5 1/4 to \$21 1/4 on volume of 4.6m shares. Mr Carl Icahn, who has bid for the steel and energy group, was believed to have been subpoenaed in the Boesky affair.

Goodyear Tire and Rubber fell 1 1/4 to \$44 1/4. Sir James Goldsmith's takeover offer for it was the subject of congressional hearings yesterday.

These issues apart, the most active list returned to a more normal balance of issues after being dominated by falling takeover candidates on Monday because of the widening insider trading investigation.

Among companies turning in results, two department store chains presented contrasting pictures. Dayton Hudson, up 3/4 to \$42 1/4, reported third-quarter net profits of 5 1/2 cents a share against 56 cents a year earlier. May Department Stores, down 3/4 to \$34 1/4, reported profits of 47 cents a share against 37 cents.

Among other store groups, K mart was off 1 1/4 to \$49, Sears Roebuck lost 1 1/4 to \$41 1/4 and Federated, which had been subject to takeover rumours, fell 5 1/4 to \$91 1/4. It reported lower earnings.

Westvaco gained 5/8 to \$37 1/4. It reported net profits for the year of \$2.50 a share against \$2.43. Other paper groups were lower. Scott Paper fell 3/4 to \$60 1/4.

Bowater was off 3/4 to \$29 1/4 and James River eased 3/4 to \$30 1/4.

Squibb rose 1 1/4 to \$102 1/4 after it had announced the sale of its Charies of the Ritz cosmetics unit.

Revere Copper and Brass gained 3/4 to \$21 1/4. The board approved a management buyout at \$22 1/4 a share.

Coca-Cola lost 5/8 to \$35 1/4. The price of the initial public offering (IPO) in its bottling unit has been lowered to the \$18-\$21 range from \$21-\$24 after resistance from institutional shareholders to the higher price. The offering, the largest IPO ever in the US, is due to begin tomorrow.

Among the general weakness of technology stocks, IBM was down 1 1/4 to \$120 1/4, NCR fell 1 1/4 to \$44 1/4, Digital Equipment fell 3/4 to \$97 1/4, Hewlett-Packard lost \$1 to \$41 1/4, Honeywell lost 1 1/4 to \$68 1/4 and Motorola fell 3/4 to \$35 1/4.

The credit markets were quiet lacking any immediate news to spur trading. Against a background of stabilising precious metal prices after their recent sharp fall and a softer dollar, bond prices drifted marginally lower.

The price of the benchmark 7.50 per cent Treasury bond due in 2016 eased 1/8 to 99 1/4 yielding 7.50 per cent. Shorter maturities were close to unchanged.

Three-month Treasury bills fell two basis points to 5.24 per cent, six-month bills slipped two basis points to 5.48 per cent.

The main concern in the corporate bond market was over the performance of the junk-bond sector in which prices fell for the second day by between 1/4 and 1 1/4 points in jittery trading.

A shadow was cast over the high-yield securities by news that Drexel Burnham Lambert, the securities house which pioneered the use of low investment grade paper for takeover, was under investigation by the Securities and Exchange Commission in connection with the Boesky insider trading affair.

Drexel had underwritten half the bonds placed in the few years the market has been operating, issuing \$15m in the first nine months of this year alone. Drexel's ability to maintain a confident secondary market in its issues will be crucial to the junk-bond sector.

EUROPE

Frankfurt focuses on high-tech

LACKLUSTRE trading marked many bourses yesterday and they moved mainly on domestic factors. Some continuing reaction was seen to the worries over insider dealing in the US, but most share price changes in Europe were marginal.

Frankfurt firmed in a technical reaction to the falls of the past few sessions, but trading was thin ahead of today's holiday. The Commerzbank index, set at mid-session, was 3.3 higher at 1,975.2.

Most of the session's action centred on the high-technology sector where Nixdorf lost DM 17.70 to DM 689.80 on its plans to launch a DM 500m Eurobond with share warrants. In the same sector Siemens rose DM 4.40 to DM 692.50. The group said after the end of trading it would pay an unchanged dividend.

The car sector generally followed the upward trend, with Daimler scoring a DM 7 rise to DM 1,263 and VW up DM 4 to DM 428.50. BMW, however, fell DM 3 to DM 561.

Chemicals included BASF with a DM 3.20 gain to DM 268.10, Bayer which rose DM 1.80 to DM 296.50 and Hoechst which added DM 1.30 to DM 255.

Hopes of improved third-quarter results lifted banks. Deutsche, which announced it was considering bidding for BankAmerica's Italian unit, rose DM 5 to DM 792. Commerzbank added DM 2.30 to DM 302 and Dresdner DM 4.50 to DM 393.50.

Engineer Mannesmann added 30 pf to DM 190.30.

In the bond market long maturities added 30 basis points, but isolated losses of up to 15 basis points were seen at the short end.

The Bundesbank sold DM 78m worth of domestic paper after selling DM 104.7m on Monday.

Amsterdam closed higher after gains among the multinationals. However, some caution was noted in the wake of the insider trading scandal on Wall Street.

Among internationals Royal Dutch added Ft 1.20 to Ft 208.70 and Unilever Ft 5 to Ft 498.50. Philips, however, lost Ft 1.10 to Ft 44.20.

Zurich closed little changed as investors, particularly from abroad, remained on the sidelines following Wall Street's overnight decline.

Among chemicals Sanofi bearer continued to fall, losing Sfr 100 to Sfr 10,000. However, Ciba-Geigy firmed Sfr 25 to Sfr 3,400.

Paris was overshadowed by the assassination of Renault chief Georges Besse, and share prices showed little direction, ending mixed to easier. The approaching close of the monthly trading account helped to depress the market.

Construction issues eased, with Bouygues down Ffr 7 to Ffr 1,275 and Lafarge-Coppée off Ffr 9 to Ffr 1,306.

Advances included Peugeot, up Ffr 5 to Ffr 1,095, and Printemps, up Ffr 20 to Ffr 526.

MILAN

Milan fell back to close mixed after a modest uptick in early trading attributed partly to the opening of the new bourse month.

Leading industrials included Fiat, down L130 to L14,470, Montedison, up L35 to L2,965, and Olivetti, L700 lower at L13,250.

Brussels continued Monday's fall as a dispute in the coalition about regional spending kept buyers out of the market. Petrofina went against the trend, rising Bfr 20 to Bfr 9,420.

Holding group GBL, which has a stake in Drexel Burnham Lambert, the US securities house, subpoenaed by the Securities and Exchange Commission, fell Bfr 180 to Bfr 3,800 in heavy trading.

Stockholm was again depressed by the possibility of government austerity measures, but trading was generally calmer than on Monday. The Veckans Affarar index dropped 2.1 to 925.1, or 38.4 below the record of 981.5 reached last Wednesday.

Oso firmed slightly after a two-day sell-off as investors bought selectively in blue chips.

Madrid also rose, with communication stocks leading the advance.

LONDON

Insider case continues to unsettle

THE FINANCIAL markets in London had another nervous session, with share prices again lower on worries about Wall Street and the Boesky affair and by gilt unsettled by sterling's dull performance.

Equities opened sharply lower, tried to rally but then grew increasingly nervous as Wall Street's opening approached. When New York turned easier in early trading, London share prices fell back to their lowest levels of the day.

The FT-SE 100 index fell 11.1 to 1,817.5, and the FT Ordinary index lost 6.9 to 1,271.6.

The oil sector was depressed by an absence of firm news from the Opec pricing committee and consequent bearish comments from industry analysts. BP was down 8p at 691p.

The gilt-edged market ended with losses of about 1/4 of a point, steady in late trading when the pound came off its day's low.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38-39.

SOUTH AFRICA

LATE bargain-hunting lifted golds off their lows after the sector had extended Monday's falls.

Among golds Driefontein closed 25 cents down at R88.75 while Buffelsfontein and Free State Consolidated were steady at R82 and R82.50, respectively.

Mining financial Anglo American fell 50 cents to R67 while Gold Fields was unchanged at R60. Rustenburg Platinum lost R1 to R46, but De Beers, the diamond group, added 25 cents to R33.25.

Industrials closed mixed but with an easier bias.

AUSTRALIA

FOR A SEVENTH successive trading day, share prices retreated in Sydney as profit-taking continued and a further fall in the bullion price kept up the pressure on golds.

The gold index lost 43 to 1,503.2 for a two-day fall of 127.5 while the All Ordinaries index ended 11.9 down at 1,314.8 after some late bargain-hunting had lifted it above its day's lows.

Among golds Central Norseman dropped 80 cents to A\$12.80 after losing 70 cents on Monday while Kidston and Poseidon each eased 10 cents to A\$7.80 and A\$4.90, respectively.

Diversified metals followed the trend, with CRA off 34 cents at A\$6.86 and Bougainville 12 cents down at A\$2.88.

Bond Corp, which has sold an apartment building it bought in Hong Kong last month, eased 5 cents to A\$2.65.

In the banking sector ANZ, which has announced slightly higher profits, was 4 cents lower at A\$5.32 after falling 14 cents on Monday.

SINGAPORE

TECHNICAL factors helped to boost Singapore which has been in an over-sold position for the past few sessions.

However, some bargain-hunting and short-covering were partly offset by caution over the political relationship between Singapore and Malaysia after the Israeli President's visit to Singapore.

The Straits Times industrial index closed 13.52 higher at S\$5.48.

Among banks Malay Banking rose 24 cents to S\$5.20, OCBC 10 cents to S\$9.15, OUB 6 cents to S\$3.70 and UOB 10 cents to S\$4.88.

Blue chips closed showing mostly small gains across the board. Genting was 20 cents higher at S\$5.90, Singapore Press 5 cents at S\$8.30, Haw Par Brothers 9 cents at S\$3.08 and Straits Trading 2 cents at S\$3.68. Sime Darby was steady at S\$1.82.

HONG KONG

UNCERTAINTY ahead of a government land auction today kept many investors on the sidelines in Hong Kong. However, despite the thin trading, the Hang Seng index closed 7.38 up at 2,249.97 after late bargain-hunting had lifted the market indicator from a loss of almost 12 early in the session.

Reaction was muted to an announcement by Canada's Hinkley Oil that it had held talks with Cheung Kong on a possible takeover. Cheung Kong was unchanged at HK\$32 as was its affiliate Hutchison Whampoa at HK\$41.

Elsewhere, China Gas fell HK\$10 to HK\$18.20, and Hongkong Electric was steady at HK\$10.

CANADA

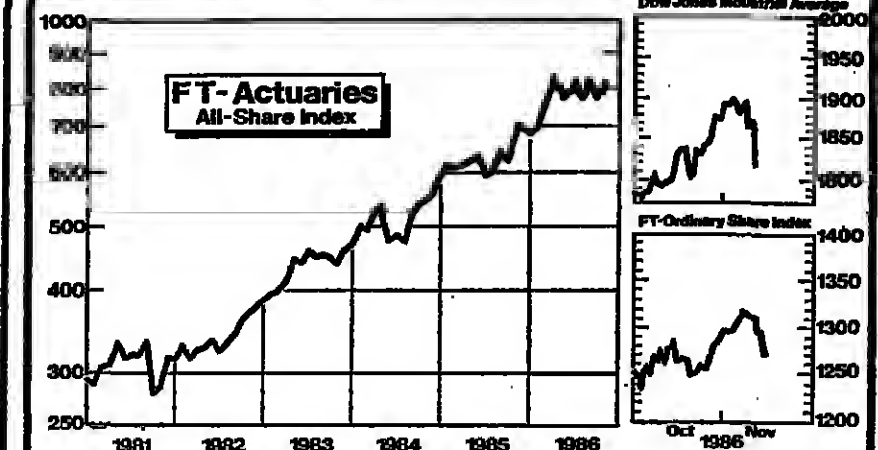
THE BROAD decline begun on Monday continued in Toronto although golds, after registering steep falls on Monday following the lower bullion price, regained some lost ground.

Dome Mines, Echo Bay and Lac Minerals each traded 3/4 higher at C\$104, C\$297 and C\$264, respectively.

Mining financial Anglo American fell 50 cents to R67 while Gold Fields was unchanged at R60. Rustenburg Platinum lost R1 to R46, but De Beers, the diamond group, added 25 cents to R33.25.

Industrials closed mixed but with an easier bias.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Nov 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,817.21	1,860.52	1,440.02
DJ Transport	813.88	829.25	661.76
DJ Utilities	204.17	209.24	185.26
S&P Composite	238.63	243.21	198.70
LONDON			
FT Ord	1,271.6	1,278.5	1,085.5
FT-SE 100	1,817.5	1,828.6	1,405.1
FT-A All-share	n/a	808.26	n/a
FT-A 500	n/a	885.49	n/a
FT Gold mines	304.0	302.4	277.5
FT-A Long gilt	10.66	10.63	10.50
TOKYO			
Nikkei	17,273.53	17,208.15	12,700.3
Tokyo SE	1,421.58	1,418.50	895.65
AUSTRALIA			
All Ord.	1,314.5	1,326.6	995.2
Metals & Mins.	639.2	650.0	493.3
AUSTRIA			
Credit Aktien	233.75	233.05	212.36
BELGIUM			
Belgian SE	3,964.95	4,034.39	2,911.55
CANADA			
Toronto			
Metals & Mins	2,088.90	2,107.50	1,848.0
Composite	3,028.2	3,047.50	2,781.7
Montreal			
Portfolio	1,524.07	1,538.96	134.66
DENMARK			
SE	188.25	189.51	229.01
FRANCE			
CAC Gen	379.10	380.30	294.1
Ind. Tendence	146.00	145.80	85.7
WEST GERMANY			
FAZ-Aktien	657.37	658.81	578.70
Commerzbank	1,975.20	1,971.90	1,708.4
HONG KONG			
Hang Seng	2,249.97	2,242.89	1,744.20
ITALY			
Banca Comm.	n/a	728.25	418.43
NETHERLANDS			
ANP-CBS Gen	280.30	279.30	234.3
ANP-CBS Ind	277.80	278.70	208.8
NORWAY			
Oslø SE	377.06	378.25	405.41
SINGAPORE			
Straits Times	895.48	881.96	782.20
SOUTH AFRICA			
JSE Golds	—	1,847.0	1,190.9
JSE Industrials	—	1,411.0	956.0
SPAIN			
Madrid SE	172.19	171.30	99.83
SWEDEN			
J & P	2,593.75	2,593.95	1,513.43
SWITZERLAND			
Swiss Bank Ind	577.10	599.90	528.4
WORLD			
Nov 17			
MS Capital Int'l	337.5	341.0	238.6

CURRENCIES			
	Nov 18	Previous	Nov 18
US DOLLAR			
(London)	Nov 18	Previous	Nov 18
\$	1.4235	1.4295	1.4285
DM	2.0125	2.0130	2.0090
Yen	162.70	162.75	231.50
FFr	6.5900	6.5925	9.3800
Sfr	1.6740	1.6740	2.3825
Quintar	2.2740	2.2740	3.2375
Lira	1.392	1.3945	1.98150
Rpf	41.90	41.80	59.65
C\$	1.3830	1.3850	1.9695
STERLING			
(London)	Nov 18	Previous	Nov 18
£	2.0125	2.0130	2.0090
DM	162.70	162.75	231.50
Yen	6.5900	6.5925	9.3800
Sfr	1.6740	1.6740	2.3825
Quintar	2.2740	2.2740	3.2375
Lira	1.392	1.3945	1.98150
Rpf	41.90	41.80	59.65
C\$	1.3830	1.3850	1.9695

INTEREST RATES			
	Nov 18	Prev	
Euro-currency (3-month offered rate)			
£	11%	11%	
Sfr	8%	8%	
DM	4%	4%	
FFr	8%	8%	
FT London Interbank Bidng (offered rate)			
3-month US\$	6%	6%	
6-month US\$	6%	6%	
US Fed Funds	5 1/4%	5%	
US 3-month Cds	5.75%	5.65%	
US 3-month T-bills	5.315%	5.395%	

US BONDS			
Treasury	November 18	Prev	Yield
6% 1988	100 1/2	6.288	100 1/2
7% 1983	100 1/2	7.068	100 1/2
7% 1983	99 3/4	7.298	100 1/2
7% 2016	99 3/4	7.521	100 1/2

Treasury Index			
Maturity (years)	Return Index	Day's change	Yield Day's change
1-30	158.82	-0.16	6.98
1-10	151.30	-0.08	6.68
1-3	141.59	+0.01	6.28
3-5	154.21	-0.11	6.78
15-30	195.81	-0.45	7.97

Corporate			
	November 18	Prev	Yield
AT & T	92.292	6.30	82.102
3% July 1990	106.875	9.408	106.875
SCBT South Central	99	8.182	99.825
Philpro-Sal	102.75	8.315	102.50
6 April 1986	107.914	9.085	107.375
General Motors	91.403	8.951	91.00
8% April 2016	99.5	8.423	98.825

FINANCIAL FUTURES			
Chicago	Latest	High	Low
US Treasury Bonds (CBT)			
9% 32nds of 100%	99-34	99-12	99-22
US Treasury Bills (BES)			
\$1m points of 100%			

FINANCIAL TIMES SURVEY

This survey is an integral part of the Financial Times and is not for sale separately

International Fund Management

Liberalisation of markets, coupled with telecommunications advances, are continuing to encourage a rapid diversification of portfolios. In the UK however there remains a lack of political consensus over the domestic consequences of such investment.

Costs under scrutiny

By Clive Wolman

You take the main road across the Scottish Lowlands and turn off at the signpost for the village of Gogar. Another turn into a winding, leafy lane and you enter an 11-acre estate with a well-manicured lawn and eighteenth-century Georgian country house at its centre.

This is the office of Walter Scott and Partners, one of the first specialist investment "boutiques" in the UK. Its location and style sum up the emerging, footloose industry of international fund management. For some futurologists, this sort of workplace is a prototype for their 21st-century vision of a world of cottage industries based on information and professional skills. Their operations can be anywhere—over a remote mountain top or island will do as long as it can be reached by cable or satellite—but their focus will be everywhere.

For fund managers, everywhere means the world, both in terms of clients and investments. The employees of Walter Scott are mainly Scots but their clients are entirely English and US pension funds. Their investments have been heavily in US and Japanese growth stocks but they have little in Scotland.

The rise of international portfolio investment has been made possible by the rapid improvements in international telecommunications and information networks. But the abandonment of exchange controls by many countries and the re-emergence of economic and financial liberalisation have also made international investment necessary. The consequent growth in international trade and multinational investment has produced

large imbalances in the current accounts of trading nations which have to be offset by capital movements.

First, in the mid-1970s, the Arabs had to recycle their petrodollars into Europe and America. Now Japan, with its mounting trade surpluses and a population huge seeking new investment outlets to prepare for retirement, has taken over as the largest exporter of capital.

During the same period, the UK (and other European countries) removed its exchange controls and allowed the City of London to cash in on its experience in managing international securities and investment. US investors and pension funds are now following the example of their multinational companies by abandoning their traditional isolation and shifting more and more of their portfolios overseas.

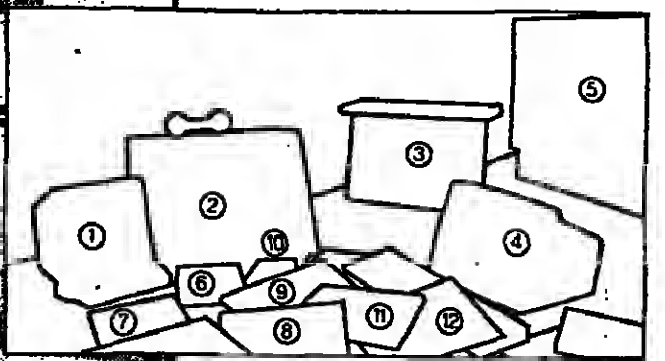
But it is dangerous to present the growth of international investment management as the wave of the future.

The greatest period of international investment management, at least for the British Empire, was at the end of the nineteenth century, which was ended by the growth of nationalism and erection of trade barriers that are only now being dismantled. The rapid growth of international investment from Europe, America and the Far East could be forced into reverse again, albeit not easily, by a change of political climate.

For the conceptual and political issues about how much a nation's savings should be held in foreign assets are far from resolution. Even the UK, with its long tradition of foreign investments, has no political consensus on the issue. If a Labour government is elected in 1987-88, it will impose a heavy tax penalty on pen-



Picture by Ashley Ashwood



The complete fund manager

- TECHNOLOGY has endless implications for fund managers. What are the tools and reference sources of the job?
- Michelle Barber heads the team of four that runs Legal & General's Far East and Pacific Basin portfolios. In a typical working day she might have recourse to:
- 1 Quick (Quotation Information Centre HQ) terminal, which provides a prices and information service about Japanese equities from the Tokyo stock exchange.
 - 2 Dealer board, for telephoning market makers and brokers.
 - 3 IBM personal computer, which uses in-house and external software to highlight the composition of portfolios.
 - 4 Reuter information service, including world news, foreign exchange, market indices and share prices worldwide.
 - 5 Topic, primarily for London financial information and share price quotations.
 - 6 Calculator.
 - 7 Long-term Japanese equity chart book, showing how share prices have moved over 11 years.
 - 8 Stockbrokers' information book on Japanese equities.
 - 9 Point and Figure charts of international markets, currencies and equities.
 - 10 Japan Company Handbook, which includes results, earnings, performance and who's who.
 - 11 IBES (International Brokers Estimate System) compendium of brokers' estimates of world companies' future earnings.
 - 12 China Products — a promotional booklet identifying opportunities that could arise in the future. This is not for everyday use, but illustrates the way a fund manager may spot opportunities.
- At Easter, Legal & General's investment department will move to a new-technology floor in a building adjacent to its present headquarters in Queen Victoria Street. The four screens in our picture will then be replaced by two.

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by the London Business School (for the 1970s) and by Quantec, a New York investment research house, point to similar conclusions. Quantec's figure also suggest that currency fluctuations, far from adding to the risks of international investment, actually reduce them as a fall in one country's currency is often associated with a rise in its stock market.

But increasing movements of capital between different markets made both by investors and within multinational corporations may invalidate these measures as a way of determining the optimum diversification.

A better approach may be to invest in a wide spread of companies around the world, paying little attention to the stock markets on which those increasingly multinational companies happen to be listed. Instead the investment manager should look to their patterns of trading and their exposures to different countries in terms of currency risk, market risk, political risk. The investment manager would be more concerned to have a portfolio balance across industrial sectors than across countries.

There are two types of argument against the hard-line internationalists. The more political argument, advanced by the Labour Party in the case of Britain, is that, by equalising the rates of return around the world, internationally mobile capital reduces investment in the UK which holds

Continued on Page 3

Look no further for a really worldwide view.



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London EC2N 4AE
Telephone: 01-283 8833
Telex: 8958761

J.J.K. Taylor (Specialist international fund management)
Barings International Investment Management Limited
9 Bishopsgate
London EC2N 3AQ
Telephone: 01-588 6133
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Switzerland
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Telephone: 01-408 0555
Telex: 295082

R.I. Houston (Property consultants)
Barings, Houston & Saunders
104-106 Leadenhall Street
London EC3A 4AA
Telephone: 01-621 1433
Telex: 894811

E.K. Woolley (Quantitative asset and liability management)
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London EC2N 4AE
Telephone: 01-283 8833
Telex: 8958761

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140 Park Lane
London W1Y 3AA
Telephone: 01-408 1282
Telex: 295082



International Fund Management 2

GUINNESS MAHON

PENSIONS

Ian Richards

Guinness Mahon Investment Management

32 St Mary at Hill London EC3P 3AJ

Telephone: 01-623 9333

Facsimile: 01-283 4811

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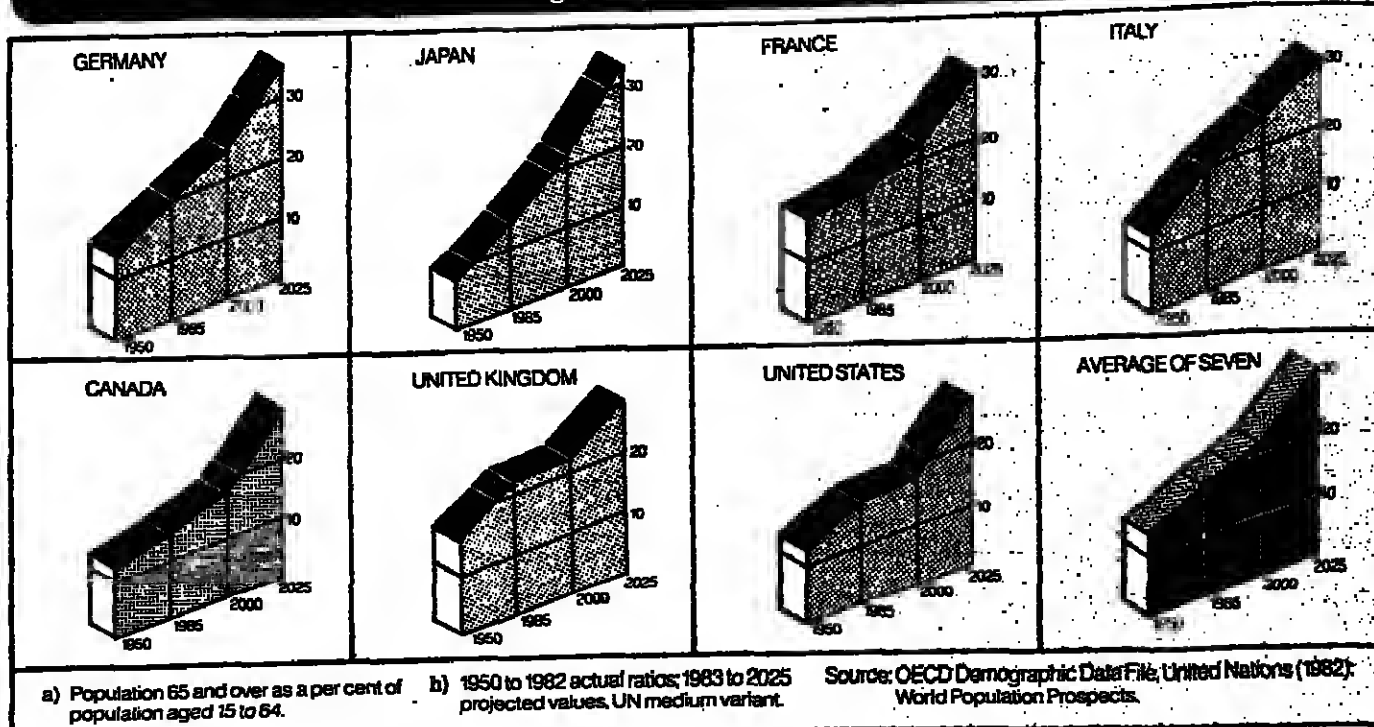
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Old-age Dependency Ratios



Japanese Pension Funds

Explosion into the limelight

JAPAN'S CORPORATE pension industry has suddenly been thrust into the limelight by its explosive growth.

It has shown phenomenal growth in the past decade, increasing at a rate of 20 per cent a year and reached ¥20 trillion (million million) in June. The trend is underlined by the rapidly ageing Japanese population: the average life expectancy of men and women is now 75 and 80 respectively.

This sobering fact has started Japanese corporate management and encouraged it to develop pension schemes. At the same time, corporations are able to benefit through a special tax exemption on the reserves put into pension schemes.

According to a survey conducted by Nihon Keizai Shimbun, a leading economic daily, 83 per cent of the nation's corporations listed on the stock exchanges have set up pension fund schemes; and pension assets per company amounted to ¥5.75bn in the fiscal year that ended in March.

There are two types of corporate pension fund in Japan: the Employees' Pension Plan, adopted by 250 corporations (26.1 per cent of the total), and the 100-per cent Pension Plan, adopted by 620 companies (55.3 per cent). Seventeen per cent have adopted the two schemes.

Pension fund management has long been an exclusive province of trusts banks and life insurance companies, with the conventional policy of "low-risk and low-return." However, Japanese management houses found their cosy cartel encroached upon by nine foreign banks last year.

The Japanese financial authority thought pension funds should look for much higher returns by injecting a brand of foreign aggression. Management houses were expected to acquire asset management techniques and know-how from foreign institutions.

In fact, the first noticeable effect was on the reporting system of asset management. For the first time, the Pension Fund Association has reported performance measured in market

value, including unrealised gains and profits of equity portfolios.

Mr Chris Nowakowski, president of InterSec, a performance-measuring company, welcomed this new development, saying: "Even if it covered only 240 funds (¥2,890bn) out of 1,109 schemes (¥12,345bn), it is a great improvement to have reported on the asset management, including unrealised gains and losses of equity portfolios, which demonstrates accurately the difference of performance between trust banks."

According to the report, by the Pension Fund Association, on the performance of asset management for the fiscal year that ended in March, the largest group with a total of 1,109 funds, trust banks managed 65 per cent of the total assets, amounting to ¥12.35 trillion.

The report said that some management houses made foreign exchange losses in their investment in foreign securities. However, these were written off by capital gains and evaluation profits of stocks and bonds, reflecting the rally of the Tokyo market.

Looking at the management houses yield on investment (289 funds), trust banks achieved a yield of 9.54 per cent (compared with 9.50 in fiscal 1984), and life insurance companies 3.95 per cent (3.97 per cent in fiscal 1984). The average yield by trust banks was 6.92 per cent, higher than those by life insurance companies. Including those unrealised gains and losses (arising from the difference between the book value and the market value of equity portfolios), the total yield by trust banks was 12.98 per cent.

The asset allocation by trust banks in fiscal 1985 was: public corporate bonds, 38.97 per cent (40.29 per cent in fiscal 1984); government securities, 18.58 per cent (19.55 per cent); equities, 16.16 per cent (12.65 per cent); foreign currency denominated securities, 2.46 per cent (3.23 per cent); loans and related business, 1.82 per cent (1.75 per cent). In achieving high returns,

there was growing exposure in equities and foreign securities.

"This average total yield of 12.98 per cent is still lower than that of Tokkin funds at around 15 per cent," said InterSec, who attributed this to lower asset allocation to equities.

The Pension Fund Association intends to raise the equity proportion of the funds to 20 per cent of the total assets for fiscal 1986, from 15.65 per cent in 1985. It also plans to raise the property element of the funds to 8 per cent.

It has been almost a year since the first group of foreign banks set up trust banking business. Japan Bankers Trust, Morgan Trust and Chase Manhattan Trust formed the advance guard, and the remainder followed six months later. The aim of foreign banks is to capture a slice of the huge pension fund management business. Despite initial claims that the foreign institution would quickly win business, on the strength of expertise built up for a long period, they have found it difficult.

Foreign banks complain that they have little chance to display their strength if they do not have assets to manage. Some foreign trust banks are garnering the management business of "foreign-owned" manufacturing companies in Japan. Their initial strategy was to win the market by offering "excess corporate money, in money trusts, until they are able to manage pension funds."

There are two kinds of money trust. One is the specified trust account, notably Tokkin, set up by welfare pension funds worth depositing the funds in a trust bank. The funds are then managed by investment management companies affiliated with securities houses or banks. The trust bank gets a fee.

The other money trust is a fund trust, which can give the trust bank discretionary management. This area is most accessible to newcomers, and allows them to manage money without minimum restrictions.

The Tokkin management business is expected to grow from assets of ¥20bn in 1985 to ¥50bn by 1990, and the fund trust business from ¥15bn to ¥30bn, according to an estimate by the Union Bank of Switzerland's trust banking operation in Japan. However, even in Tokkin or fund trusts, foreign banks' performance has lacked sparkle as their expertise is in overseas markets.

Partly to provide business opportunities for the foreign trust banks, the Ministry of Finance allowed trust banks to handle certain foreign currency Tokkin and discretionary trusts. With these deregulatory measures, trust banks are able to establish foreign currency trusts for residents, and Yen and foreign currency trusts for non-residents, by using Tokkin and fund trusts.

The ministry's decision was welcomed by foreign banks as a golden opportunity to show their strength, because excessive cash in the Japanese private sector is seeking high returns overseas, shifting away from the persistent low interest rate in the domestic market. Chemical Trust Bank said it was sounded not only by regional or national banks, but also by medium and low-ranking commercial banks to help manage foreign assets.

In early October, Japan Bankers Trust, a trust banking subsidiary of Bankers Trust of New York, made a significant breakthrough in the Japanese pension fund market. It was the first among nine foreign banks to manage Japanese corporate pension funds. The bank has been assigned the management of welfare pension funds worth about ¥8.85bn by Sumitomo Bank.

As a result of its absorption on October 1 of the financially-troubled Heiwa Sogo Bank, Sumitomo Bank's pension funds rose to ¥55bn. Some 9 per cent of assets have been allocated to Japan Bankers Trust, with the remainder being divided between six traditional management houses.

Yoko Shibata

US Pension Plans

Rich returns on foreign ventures

US APPETITE for foreign securities continues to grow at a fast pace as overseas returns, compounded by the dollar's interest rate deviation, far outrun those available from domestic investments.

Competition to manage these portfolios is becoming increasingly fierce as foreign firms flood into the US to carve out a niche in the domestic securities houses are rapidly enhancing their overseas investment skills as part of their heavy commitment to the globalisation of securities markets.

The opportunity to invest abroad continues to be taken more by large funds than by smaller ones. Studies by Greenwich Associates, a Connecticut research organisation, show that 77 per cent of pension funds with assets of more than \$1bn invested abroad in 1985 (up from 65 per cent in 1984), with an additional 5 per cent saying they planned to venture abroad this year.

At the other end of the scale, only 6 per cent of plans with less than \$50m of assets were invested abroad (2 per cent in 1984), with 6 per cent planning to join the bandwagon this year.

Pension funds operating under the federal Government's Erisa (Employment Retirement Income Security Act) regulations, which account for the vast bulk, had assets invested outside the US totalling \$20bn at June 30 1985, a dramatic rise from \$15bn at the beginning of 1985, according to InterSec research, a Connecticut consultant on international diversification for pension managers.

Foreign investments now account for about 3.2 per cent of Erisa funds' assets, compared with 2.2 per cent at the end of 1984 and 1.8 per cent at the end of 1983.

This year's performance, which has outstripped

InterSec's initial forecasts, is likely to ensure the \$100bn to \$150bn, or 6 to 8 per cent, of the fund's assets will be in international securities by 1990-90, InterSec believes.

Yet a note of caution was injected by figures which showed the first ever net outflow of funds from existing foreign investment accounts—\$50m in the second quarter. This was largely explained by shifting of funds to other managers as they earn track records in this new field, concern from some pension managers that the fast appreciation of foreign assets gives the funds a larger foreign exposure than planned, and a belief that these soaring rates of growth abroad cannot last.

Compounded by the sharp fall in the dollar, returns on foreign equity investments, measured in US dollar terms, were spectacular last year. West Germany led the way with a 135.4 per cent return measured by the Morgan Stanley Capital International Indices, followed by Switzerland (106.5 per cent), France (84.3 per cent), Netherlands (80.1 per cent), UK (51.8 per cent), Hong Kong (51.6 per cent) and Japan (43.1 per cent).

The portfolio of weightings shifted markedly last year, to Japan 33.3 per cent (from 41.5 per cent in 1984); UK 12.4 per cent (15.1 per cent) and Continental Europe 43.3 per cent (28.3 per cent).

The number of firms competing to manage these international assets of US pension funds continued to grow apace, according to InterSec's figures, from 80, at the end of 1983, to 91 at the end of last year; and to an estimated 160-180 per cent by 1990-90.

Many firms have moved the location of their international investment activities to the US from abroad, shifting the overall ratio of 68 per cent abroad

and 32 per cent in the US, in 1983, to 63 per cent—47 per cent at the end of last year.

Moreover, many of the firms are locating their headquarters in the US with an appreciable improvement in their business. Thus, 72 per cent of the new monies from pension funds going into international investments were handled by firms with US head offices, compared with 54 per cent in 1984.

Pension funds and leading foreign asset managers agree that, broadly speaking, no more than the top two dozen firms compete successfully in this tough marketplace. Of manager rankings compiled annually by pensions and investment age in terms of assets managed only a handful of the top dozen firms are foreign-owned.

The foreigners will probably have an even harder time of it as the leading US securities houses improve their commitment and liberalisation of the Tokyo and London markets.

S. G. Warburg & Co Inc, the US arm of the Warburg merchant bank in the Mercury Securities group, in London, one of the British firms pushing hard its business in international fund management in the US. With equity research analysts based in the US, it finds that one approach to winning new business is to target clients in its opinions on US stocks and then introduce them to its deep international expertise from its researchers in London, Hong Kong and Tokyo.

Foreign firms accept that they will never compete with the domestic firms in terms of volume of funds managed, but they believe they can carve out profitable niches by establishing clear identities derived from their foreign roots.

Mr George Russell, chairman of Frank Russell Company, a

leading consultants to pension funds, based in Tacoma, Washington, thinks there will always be a role for small specialist fund managers to play, despite the dominance of the big firms.

Perhaps the earliest exponent of foreign investment for pension funds, first advocating the move 16 years ago, Mr Russell said he was happy to recommend small foreign management firms when they could perform a service to his clients.

He believes that foreign securities will continue to be an important part of investment strategies. Currency factors should not deter pension funds, because, over the past 16 years, the fluctuating value of the dollar has evened itself out to around plus or minus one half of one per cent.

For investors who want to take a shorter time-frame, the range of currency-hedging products is expanding rapidly. Goldman Sachs, the Wall Street securities dealer, has introduced, for example, Quantos. This product allows investors to hedge an unknown future volume of currency, so that, if an investment performs better than expected, the large sum is still covered.

Many factors beyond the superior returns were combining to make investment abroad more attractive and practicable, Goldman Sachs suggested at a recent conference. These included advances in communications, financial market deregulation, interest rate independence of economies, global perspectives in investment banking and currency hedging techniques.

But asset managers, particularly foreign ones in the US, are having to fight harder in the crowded field to get a chance to show what they can do for pension and other funds.

Rod Oram

JP 11/19/86

Individual Investors

Trusts provide route into foreign shares

BRITAIN is becoming a nation of shareholders. This was one of the findings of an opinion poll conducted for the FTSE group in following up its successful flotation.

One of its main findings was that 7m people in Britain now held shares. Although this is one out of every six people, it is still a low proportion compared with the US. Nevertheless it represents a doubling of private share ownership since 1983.

So, although there is still a long way to go before the Government's ideal of a share owning democracy is achieved, it can be claimed that the move is now under way.

This interest in direct share ownership was fostered by the Government privatisation issues, particularly British Telecom and private issues such as TSB Abbey Life.

However, this growth in many cases is confined to individuals holding just one organisation's shares—which they successfully obtained in their application; and one holding does not make a portfolio.

The survey does not as yet show whether private investors are generally following the move by institutions to expand their equity portfolios on an international basis.

However, direct investment is not the only route available to individuals into equity market. Unit trusts, unit-linked life contracts and investment trusts have for decades provided equity investment vehicles on a pooled basis. The past few years have seen a growing use by investors of unit trusts and unit-linked life bonds, with sales in both breaking all records this year.

The increased use of investment trusts has been slower. Investors have used unit trusts or unit-linked life assurance as their investment vehicle, the demand for an international portfolio is steadily growing. This is particularly apparent in the unit trust field where the demand for overseas funds has been strong and growing over the past few years.

approach, or at least a flavour of the year. The first major move overseas was to offer US funds. Then came Japanese funds and finally about two years ago fund managers discovered the investment potential of Europe, still the current overseas investment favourite.

Overseas trusts come in certain forms. There can be general investment funds in one country, such as US or Japanese funds. Or investment can be in a group of countries, such as Far East or the Pacific Basin funds. But it is now rare to find international funds as such. Investors are more and more building up their own portfolios of unit trusts, often with professional advice, as such require specific overseas funds to enable them to get their own mix and spread of UK and overseas investments rather than have an international fund.

Indeed, there has been a demand for specialist overseas funds such as smaller companies, mainly to fit in with trust portfolio requirements.

It is very difficult to get precise figures from the unit trust industry on the extent of investment into overseas trusts by unit holders. But there are at least as many overseas funds as there are UK funds.

Marketing of funds is not very difficult. One management group get the idea of a new overseas investment fund and if it is successful the rest of the groups follow.

Every management group has what it considers a core holding of funds in its product range which will include at least one US, one Japanese and now one European fund.

This leads on to the problem of the necessary overseas investment expertise for these funds. The number of individual fund managers with this expertise is limited and they command high salaries and other benefits.

In general, unit trust groups have had little difficulty in attracting the necessary calibre. The expense margins on unit trust sales under current boom conditions are good and the management groups can meet

Components of change in old-age pension expenditure: 1960-83

	(1) Increase in expenditure ratio %	Due to change in		
		(2) Demographic ratio %	(3) Beneficiary ratio %	(4) Transfer ratio %
Australia	46	18	41	-12
Austria	202	18	72	48
Canada	123	32	297	-45
Denmark	50	40	-5	13
Finland	47	49	3	2
Germany	79	39	14	14
Ireland	132	-3	20	99
Italy	165	46	15	58
Japan	632	61	147	89
Luxembourg	63	24	42	-8
Netherlands	160	31	4	75
New Zealand	132	16	41	43
Norway	172	41	52	27
Sweden	176	42	22	60
Switzerland	265	35	-4	182
United Kingdom	90	28	19	25
United States	136	25	59	19
Average	158	33	44	41

Notes: (1) Old age pension expenditure to national income. If the changes of the ratios were expressed in absolute terms rather than in percentages, the first column would be equal to the product of the second third and fourth columns.

(2) Population 65 and over to total population.
(3) Number of beneficiaries to population 65 and over.
(4) Average pension benefits to national income per capita of population.

Source: OECD, Annual National Accounts, Labour Force Statistics and Social Expenditure Data File.

the remuneration demands. Nevertheless, there is a growing move for joint ventures between investment houses to provide overseas investments, in particular between life companies and the specialist investment houses.

Until recently, many life companies confined their equity investment portfolios to the UK market and have no in-house expertise in overseas markets. For them it is quicker and easier to link with a specialist investment house to get that expertise. Far East investment specialists are in strong demand.

Some newly formed unit-linked life companies arrange their overseas investment by simply investing in overseas unit trusts, negotiating reduced charges for buying units.

Such tie-ups, whether by direct investment or through buying units, provide the investment houses with access to the retail market for their overseas investments that would not be available otherwise. Life companies have country-wide marketing networks, either through their own direct sales forces or through independent intermediaries or both.

Investment trusts have been established by the general investing public as a means of overseas equity investments, a somewhat ironic situation bearing in mind that investment

trusts were first established over a century ago to provide the smaller investor with a means of investing overseas, which then meant in North America.

Investment trusts suffer certain marketing disadvantages compared with unit trusts and they took an investment blow over a decade ago when discounts between asset values and share prices widened to an average of 30 to 40 per cent.

In the past few years, they have changed their nature appreciably from being general equity funds to becoming highly specialised in one or more overseas markets. Now the investment trust industry is endeavouring to get its products to a wider investment public.

The major investment trust groups are now developing investment trust portfolio services for the individual investor covering both UK and overseas investments.

Finally, the introduction of Personal Equity Plans at the beginning of next year offers the individual investor yet another route into equity investment, using both direct holdings and unit trusts. Though the scheme at present is intended to be solely a UK equity vehicle, once established the demand for international portfolios could well follow.

Eric Short

European Pension Funds

Freedom dawns for private funds

UNTIL recently, the scope for pension investment in Europe has been extremely limited, so that international equity investment was something that happened elsewhere. Strong government controls effectively prevented a major equity investment.

At one end, the major part of pension provision was through the state schemes operating on a pay-as-you-go basis, with very little private pension provision. Countries such as France, Italy and Spain were prominent in this approach.

West Germany has had a thriving private pension sector on top or alongside its state provision. But this has operated on an unfunded basis, the pension liabilities being allowed as book reserves.

Countries such as Switzerland, Belgium and those in Scandinavia have thriving private pension provision. But there are strict controls over the investment policy that such funds can adopt, with the emphasis on fixed interest holdings.

These funds have found their equity holdings restricted, with little scope for adopting an international approach to equity investment. Much greater use is made of insured reserves in private pension provision.

Switzerland, for example, allows pension funds to hold up to 100 per cent in bonds but only 30 per cent of assets in equities, while overseas equities are limited to 10 per cent.

Holland has an attitude to pension provision more akin to the UK or US, with a thriving private sector and a more relaxed attitude by the authorities towards investments. But even here the adoption of an international approach to portfolio management has been taken only by the major companies using local investment institutions. The total percentage of funds placed overseas is small.

Those countries relying heavily on the state to provide the pension are finding that demographic and other factors are imposing increasingly heavy financial strains on public expenditure. Pay-as-you-go means that contributions received go straight out to pay the benefits.

To relieve this financial strain and cut government expenditure, the governments of the countries concerned are encouraging private pension provision on a pre-funding basis.

From a situation of complete controls, the governments of France, Italy and Spain are

switching to complete freedom for these funded pension arrangements, including investment in overseas equities. But emphasis so far has tended to be on private pension provision, akin to personal pensions in the UK, with generous tax incentives to encourage people to make their own provision.

West Germany has also initiated moves to introduce funded pension arrangements. The use of book reserves implies that the employer is going to remain in business—a reasonable assumption in the boom days but risky under current conditions.

In the Scandinavian countries, Denmark, by virtue of its membership of the EEC is beginning to dismantle its exchange controls for individual investors, though as yet little has been said about the ability of institutions to invest overseas.

Sweden is discussing whether to follow this move, but as yet Norway has said nothing.

However, while the ice may be breaking, it will take a considerable time for the new climate to bring full benefits. Even if European pension funds are allowed to invest overseas, the attitude of pension managers needs to change radically.

European managers in general have relied much more heavily on fixed interest bond investment for their portfolios, even in countries like Holland and Switzerland that have allowed equity holdings. Indeed, in West Germany and Switzerland bond investment has produced steady real rates of return for decades and there has not been the incentive to invest in equities.

Secondly, when pension managers have moved into equities, they have in general kept their investments local and there has been little attempt to go overseas.

This has considerable implications for UK financial institutions wishing to move into the European pension investment market. They have heard of the liberalisation moves, and the potential this offers to market their global investment expertise and services. But often it is unknown territory for fund management.

It is going to take a major marketing effort from the UK institutions to get into the European fund management sector and a very long time before they have a major presence.

Eric Short

Costs under scrutiny

Continued from Page 1

down economic growth and increases unemployment. The argument makes several dubious assumptions, even if its premise is accepted, that it is worth sacrificing the possible returns of pension funds to achieve greater domestic investment. But even if greater investment in the UK could be achieved, it might lead to greater rather than less unemployment, because of the substitution of capital for labour. In any case, the Labour proposals may well achieve no more than to encourage UK multinationals to increase their overseas investments to take up the slack caused by the cut-back in foreign portfolio investment.

The more sophisticated argument against the present scale of international investment both from the UK and from other countries claims that the

main concern of pensioners is with their standard of living relative to the rest of their community. A UK employee would prefer the value of his pensions to be linked to the fortunes of the UK economy rather than the world as a whole, except perhaps to the extent that he will have to buy imported goods. Thus the proportion of assets invested overseas should arguably equal the proportion of national income spent on imports, ie, about 25 per cent.

The other leg of the argument focuses on the additional costs of overseas investment. These include the costs of gathering information about foreign companies and markets, of dealing and settling deals, the complications over collecting dividends and handling the withholding tax on dividends (especially for pension funds which are often unable to recover the tax), the costs of buying, selling and hedging foreign currency. This fac-

tor can reduce the expected returns from overseas investment significantly, perhaps by 2 per cent a year, and shifts the risk-reward trade-off in favour of a more modest level of diversification.

The high costs of overseas investment suggest that the willingness of investors and pension plan sponsors to diversify internationally has run ahead of their ability to implement such decisions effectively and judge how well, or badly, they are working out.

Some of the costs are unavoidable, particularly those of withholding taxes and settlements, although foreign stock exchanges (and UK fund managers) are now introducing electronic settlement systems and taxation treaties are being amended to exempt pension funds.

But the area in which there is greatest scope for cutting costs and boosting returns is the

actual portfolio management of overseas portfolios. Over the past three years, the under-performance of UK and other international fund managers against the relevant international benchmark indices has been so serious that it cannot be explained merely by reference to dealing costs. Poor currency decisions (in particular hedging the dollar too early or too late), poor asset allocation (too little in Japan) and poor stock selection are all to blame.

A more radical approach proposed by some US consultants, such as Frank Russell, is to set up a core international equity portfolio on a passive basis, with no active selection of either stock market or individual shares. At the same time, small amounts of money are given to other houses, often "boutique" operations like Walter Scott's, to manage as part of a highly concentrated, specialist and risky fund.

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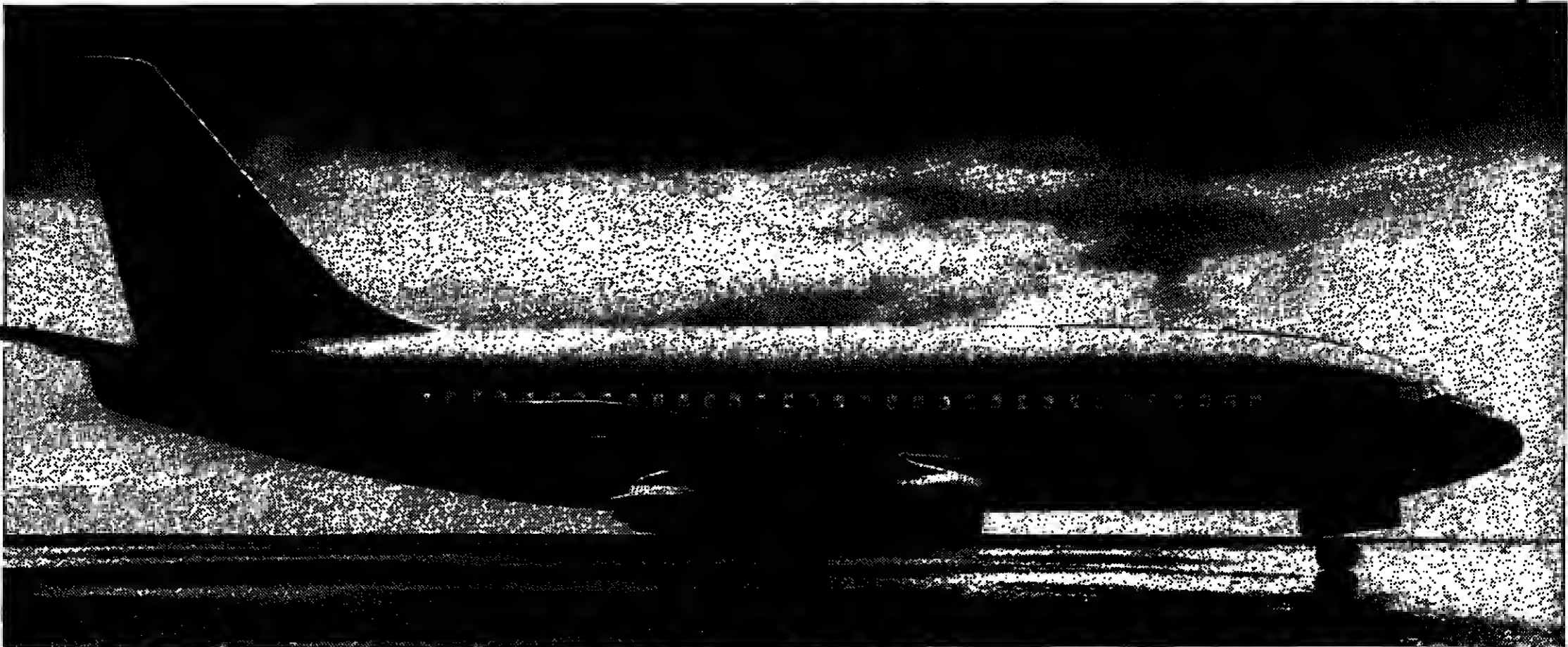
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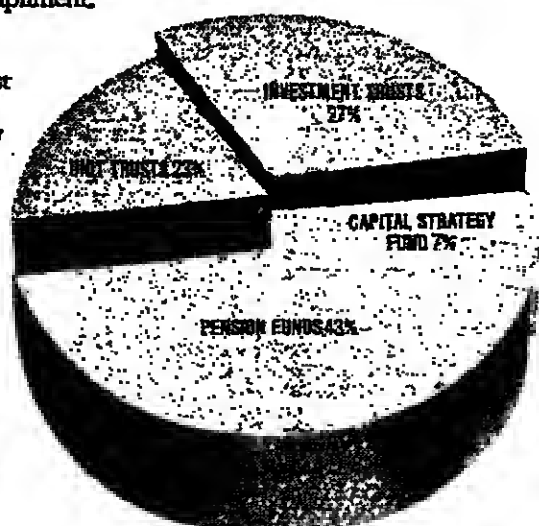
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Flows of funds

Hastening the revolution



IN 1975 non-domestic investment by the world's pension funds came to \$6bn. By 1985 it had risen to \$85bn, and on most projections it will hit \$300bn in 1990.

These figures neatly sum up the recent surge towards internationalisation in the stock and bond markets of the major industrialised countries.

They do not, however, give any indication of the enormously uneven pattern of foreign investment, or of the slow revolution in fund management thinking in the US and Japan which underpins the faster growth expected over the next five years.

According to InterSec, the pension fund management company, the UK has led the world in foreign investment in both relative and absolute terms. The UK had \$34bn overseas, representing 17 per cent of pension fund assets. This was mainly in equities and split between the US (50 per cent), Japan (25 per cent) and the rest.

The US invested \$27bn (now estimated at \$36bn) - again mainly in equities, with 40 per cent in Japan and the rest spread - which came to a little over 3 per cent of total assets. Japan invested \$20bn, most entirely in US government bonds, the Netherlands \$5bn and Canada \$4bn.

By 1990, according to InterSec, the US will have overtaken the UK (in absolute, but not relative, terms) with investments of \$130bn, representing 8 per cent of pension fund assets. The UK will have risen to \$94bn, or 23 per cent of total assets, and Japan will be close behind with \$50bn (20 per cent).

Of course, pension funds are not the only source of non-domestic portfolio investment. They are the dominant force in US foreign investment, but in Japan the insurance companies have taken the lead (partly because of earthquake fears). And in the UK, the £40bn invested in overseas currencies, unit trusts and insurance companies at the end of 1984, less than half came from the pension funds.

Nevertheless, the figures for pension funds flows have been the most closely monitored, and it is the managers of these funds - especially in the US - who are generally the trend-setters in overseas investment. French, German and Dutch fund managers, with restricted investment horizons at home, have long accepted the need to invest overseas, and often hold more than half their portfolios in foreign securities.

Since the lifting of exchange controls in the UK (and Australia) British fund managers have been catching up. In 1979 overseas investment by UK pension funds was 6 per cent of assets; at

the end of 1985 it had risen to 17 per cent and it is now closer to 20 per cent. For unit trusts, according to James Capel, the figures are 19.9 per cent and 34.4 per cent, and for insurance companies 4 per cent and 11 per cent.

Another perspective on the increase can be gained from the percentage of new pension fund money going abroad. According to the WM Company, 11 per cent of new money went abroad in 1978, rising to 24 per cent in 1982, 19.9 per cent in 1983, 8 per cent in 1984 and back to 28 per cent in 1985. The 1986 figure is again expected to be over 30 per cent.

Nobody seems quite sure why the figure dropped so dramatically in 1984, but since about half overseas investment is in the US, the UK fund managers were probably put off by the high dollar. What is noticeable is that, following the removal of controls, UK fund managers have eagerly embraced the two main arguments for diversification: spreading risk and exploiting the higher returns of some foreign markets.

The question now is no longer why invest abroad? but rather: what is the optimum level of foreign investment? According to Mr Paul Woolley, director of Barings Investment Management, "International investment provides scope for increased returns and reduced risk; but beyond some point, the drawbacks of currency mismatch of assets and liabilities begin to manifest themselves." (In Australia, in 1985, the good local currency returns were completely absorbed by adverse currency movement.)

Could it be, as several analysts believe, that the UK has now reached its optimum level? On the face of it, with the UK's growth expected to decline relative to the major

OECD countries, investors might be expected to expand their offshore portfolios.

But some expect UK fund managers merely to reshuffle the pack - switching, for example, from the US to Germany (which recorded equity returns of 90 per cent in 1985), or to the new markets in Korea, Taiwan and Portugal - while keeping the overall level of foreign investment at 20 to 25 per cent.

For one thing, there is no direct link between GNP growth and equity returns. As Phillips & Drew has pointed out, of the countries housing the world's six largest equity markets, the UK had the lowest average growth rate between 1976 and 1985 (1.8 per cent) but the second highest equity return (22.4 per cent). During the 1980s, returns on overseas equities has actually been marginally below UK equities; and in 1985 the gap widened to UK 20.8 per cent, overseas 12.3 per cent.

Secondly, a new foreign investment theory - proposed by Mr Woolley - suggests that the UK is already close to the optimum level. His view is that the optimum risk level for a fund manager is struck where the proportion of portfolio investment in foreign securities corresponds to the degree of openness of an economy. In other words, where the proportion invested overseas equals the import penetration of the UK economy - which is about 25 per cent.

According to this view, the UK is close to optimum; Japan has a little way to catch up; and the US is due for a huge leap forward. US pension fund managers, blessed with the world's biggest stockmarkets, are famous for their insularity as the figure of only 3 per cent invested abroad illustrates. Despite the shift towards greater openness

following a reinterpretation of the Employee Retirement Income Security Act (Erisa) in 1975 - which suggested that fund managers should consider risk-reduction as well as return enhancement in their investment policy - many still regard foreign investment as jumping off a cliff.

With more than 15 stock exchanges out-performing the US in 1985-86, the attractions of moving abroad are becoming more obvious, although, these managers who missed the 1985-86 bonanza may feel it is too late to join the bandwagon. Some funds now have up to 20 per cent abroad, but there are many more that still have nothing. However, it appears that a 10 per cent international allocation is now becoming more broadly acceptable, and even the conservative managers of the huge state employee pension funds are beginning to accept that some diversification is essential.

One institutional cause of the greater insularity of US fund managers may also be crumbling, thanks to the ingenuity of Morgan Guaranty, which has been the pioneer especially local authority pension - hand complete control to the fund managers, in the US the fund managers can only operate within strict guidelines laid down by the council or local authority pensions officer.

Acting on the assumption that pension officers, like most people, prefer to avoid taking decisions, Morgan recently wrote to the pension officers, saying that it proposed to internationalise its portfolio unless expressly told not to.

In Japan, the trend towards greater internationalisation has been promoted by the Government. To stem the rising yen, it has raised the limit on overseas holdings allowed to insurance companies and trust bank pension funds from 10 per cent to 30 per cent.

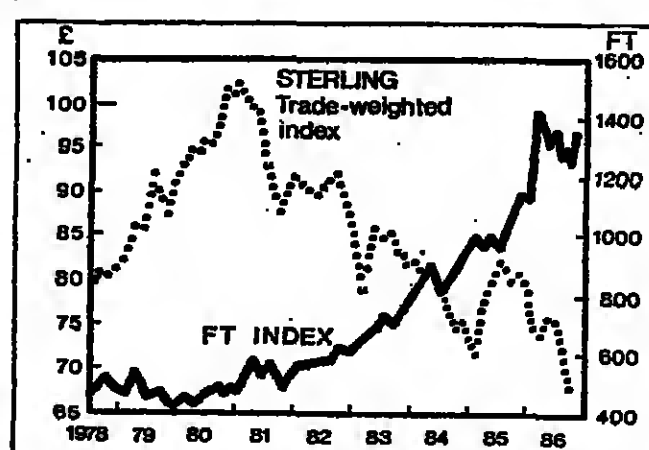
Few funds have more than 15 per cent overseas, but the growing trend is the move from foreign bonds into foreign equities. Until recently, nearly 10 per cent of foreign investment was in bonds. By the end of 1985, the trade in foreign equities rose from \$3.1bn to \$10bn.

The Japanese, characteristically, are planning their move into overseas equities with precision. Some investment managers in the west believe they are learning - the ropes through handing out a small amount of money to be managed in the UK or US, and then tracking the investments at home with much greater success, thus avoiding large management fees. One thing is certain - the Japanese are losing their bond fixation.

David Goodhart

Currencies

When depreciation wipes out gains



A country's currency and equity market don't necessarily rise and fall together. There may be an inverse relationship.

THE FALL in the oil price has sent sterling skidding in the last year. It is now roughly where it started 12 months ago against the dollar, and considerably higher against the yen. But, in the meantime, it has been subjected to wide fluctuations.

The job of UK fund managers has consequently been fraught with risks - and opportunities, too. Even if their analysis of a particular company's prospects is good, anything they gain from an appreciation in its share price can be more than wiped out by a depreciation of the currency in which it is denominated - or vice-versa.

There is little agreement among international fund managers about how to solve this problem. Some think it is best to use the whole range of financial instruments - currency options, futures and back-to-back loans - to hedge against currency fluctuations. Others think it is seldom possible to add value by using these techniques, and that the way to deal with an expected dollar depreciation is to put less of the fund's assets in the dollar.

Crudely put, sometimes a currency prediction may be right, other times it will be wrong. On average, it will be neither right nor wrong, but whoever uses one of the financial instruments to hedge will be landed with the transaction cost.

Mr Kevin Pakenham, chief executive of Foreign and Colonial, takes issue with this view: "An average performance must be the average. But some fund managers are better than the average. The art of our business is to add value by applying our skills to this market."

His firm's approach to currency management for the F&C Investment Trust is as follows. First, it works out an equity distribution by looking at the long-term growth potential of different countries. Then it works out a currency distribution. This is done not so much by looking at fundamentals - for considerable periods of time, currencies can be out of line with fundamentals - but by looking at capital flows. "If we like a currency, we take out a forward exchange contract," says Mr Pakenham. "If we don't, we borrow in that currency."

There are tax advantages in taking out a forward exchange contract, rather than buying in the weak, then you put your money into German domestic companies, not exporting industries.

Mr Jasper Olivier, a director of Hambros who manages unit trusts, says unit trusts should be allowed to use a much wider range of sophisticated hedging instruments. At the moment, they are unable to use options and futures, and so are limited to hedging via back-to-back loans. However, he believes in hedging only when it looks as though there is going to be an "appreciable movement in the currency."

Alternatively, if he has strong views about where a currency is going to move, he will buy that currency and earn interest on it. At one point recently, for example, he had such a high opinion of the Deutsche Mark that he invested 50 per cent of the Hambros Investment Situations Fund in D-Marks.

Mr Jo Weisman, a pension fund manager with Barings, says the fact that British pension funds have their liabilities in sterling does not preclude the use of hedging instruments. He prefers options to futures. The disadvantage with this approach, he admits, is that options are a very costly instru-

ment. "One has to be pretty convinced there is going to be a substantial move in the currency to use these instruments, because of the premium," he says. "A currency is likely to rebound, but you don't know when and how far."

The various hedging instruments are short-term instruments. From a longer-term perspective, Mr Weisman argues that currency thinking may be reflected in market thinking. The long run, the currency and the economy tend to move together.

Such a view is opposed by Mr Howard Flight, who runs Guinness Investment Management and believes in the very active management of currencies.

"In the long run," he says, quoting John Maynard Keynes, "we're all dead. If you don't manage currencies, you are doing fund management with an eye patch on."

Instead of believing that a country's currency and equity market are likely to go up and down together, he thinks there is generally an inverse relationship between the two. As a currency appreciates, it becomes difficult for that country's industry.

Nor does he believe that the cost of using hedging instruments is prohibitive. "The cost of cover is peanuts. The cost of not covering your exposure is that what you gain on equity performance, you can lose on currency exposure."

Guinness Mahon's approach to currency management in their global equity fund is as follows. First, it chooses what percentage of its funds it wishes to invest in each country. Second, the specialists in each country choose which individual shares to buy. Third, the specialist currency team, which manages a currency fund, will arrange for the use of forward markets that the currency exposure in the equity fund is the same as that in the currency fund.

"Why go to such lengths? Because the question, 'shall I cover my US position?'" says Mr Flight, "begs the question of which currency to cover in."

Hugo Dixon

JP 11/19/86

Regulation

Bilateral deals augment new laws at home

THE TOUGHER regulatory climate for investment managers has been highlighted by a series of developments in the US, UK and Japan over the past six months.

The bilateral agreements reached between the US Securities and Exchange Commission and their regulatory counterparts in Japan and the UK will facilitate the exchange of information about malpractice in the securities markets. Bilateral agreements with other countries are expected soon.

The other development is the new legislation in the UK which should end many of the abuses that have become part of the custom and practice of the industry. Until now, investment managers and advisers have been able to escape tight regulation because their businesses are low-risk and require little capital.

In the UK, the original impetus for the Financial Services Act, which became law earlier this month, was the collapse between 1980 and 1983 of several small investment management firms which had offered to put their clients' money into securities and futures contracts. The Act not only brings these firms under regulatory control, but will also lead to much tighter controls being imposed on the City's large, traditional fund management operations in the insurance companies, merchant banks and independent houses.

Under the structure that has emerged in the City over the past two years and is sanctioned by the Act, two self-regulating organisations (SROs) will be responsible for investment managers under the aegis of the Securities and Investments Board (SIB).

Many of the smaller firms that offer portfolio management services to clients (often through unit trusts) alongside brokerage and other advisory services are already members of the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA). FIMBRA was granted recognition as a regulatory body under a previous Act by the Department of Trade and Industry in 1983 and has already built up an extensive rule-book.

To keep tabs on an anticipated membership of several

thousand small businesses and solo traders, however, is likely to prove a severe strain on the resources and management of the organisation which has already been embarrassed by the collapse of one of its member firms this summer.

The other SRO, the Investment Management Regulatory Organisation (IMRO) will focus more specifically on investment management houses, particularly the larger and longer-established pension fund, investment trust and unit trust managers. Its chief executive, Mr John Morgan, formerly the investment manager of the British Rail pension fund, has already put down a marker in the draft rules he has been sending out to likely members and trade associations over the last few weeks. The proposed rules, to take effect towards the end of next year, have to provide an equivalent standard of investor protection to the rules of the SIB.

The basic philosophy of the draft rules of both the SIB and IMRO is that adequate protection can be ensured through the full disclosure by fund managers of all forms of benefit they may receive from managing a client's money, and of all the conflicts of interest they face. Disclosure, therefore, will be the main defence against the covert forms of charging, particularly as applied to pension fund clients, which have thrived over the past two decades.

Benefits given by brokers to fund managers, in the form of research services and paid for out of the clients' money, will be permitted. But more personal benefits — for example, a sponsored trip to Japan, even if it includes company visits — will probably be banned.

Some fund management houses, such as County Investment Managers, the National Westminster bank subsidiary, which have always relied exclusively on explicit fees, object to the "disclosure is enough" stance. They say that their competitors will appear to undercut them with lower charges, while making up the difference through hidden benefits.

The most important of these benefits are the use of high-charging in-house unit trusts for pension fund clients and "continuation and aggregation",



Mr John Morgan, chief executive of the Investment Management Regulatory Organisation, has put down a marker in the draft rules he has been sending to likely members and trade associations.

which allows the fund manager to charge his clients a higher rate of stockbroking commission than he actually has to pay.

The response of the SIB and IMRO to such objections is that pension fund trustees generally have access to experienced professional advice. Provided all the forms of indirect benefit are disclosed in the investment management contract, trustees will be able to decide whether they are being offered value for money.

There are three possible objections to this argument. First, it does not apply to inexperienced individuals, such as unit trust and life insurance investors. Second, even pension fund trustees often lack the expertise to appreciate the significance of all the clauses in small print about indirect benefits. At best, the rules will be providing extra work for lawyers and pension fund consultants.

Third, and perhaps most important, pension fund trustees themselves are often quite happy to play the game of obfuscation. This may allow them to claim to the ultimate customers and beneficiaries of pension funds — the pensioners, employees and directors of the sponsoring companies — that they are doing a fine job by negotiating such a low invest-

ment management charge. This characteristic of trustees is most apparent in local authority pension funds, which have traditionally employed stockbrokers as fund managers because they have taken all their fees in the form of commission.

The extent to which pension fund trustees will have to seek authorisation as investment advisers under the Act has yet to be clarified, although most are expected to side-step the obligations.

Some of the other abuses being tackled include: the excessive commission-generating turnover of portfolios ("churning"); the preferential treatment of some funds and clients over others, for example by booking to them shares which have already risen in value after being bought by the managers; and inappropriate risk-taking. More general rules are also being drawn up on the financial soundness ("capital adequacy") of investment management business, and on the marketing of managed funds and the presentation to customers of an investment performance record.

The Japanese Investment Advisory Act, passed in May, is much less comprehensive than its UK counterpart, and the detailed rules giving effect to

the Act have not yet been finalised. The main issues being tackled are those capital adequacy, the employment of financially experienced and "socially acceptable" (ie non-criminal) advisers and the prevention of some of the more obvious conflicts of interest. For example, the rules should end the traditional practice in the corporate finance departments of the securities houses of dumping the residue of unsuccessful new share issues in their managed funds.

But the more subtle types of hidden benefit enjoyed by Japanese fund management houses and the use of hard-sell techniques by door-to-door salesmen are not being tackled in any systematic way at this stage.

In a further reform, which is expected to raise standards of performance and disclosure in Japan, the Ministry of Finance, under pressure from the UK and US authorities, has agreed to open up investment management to foreign houses by granting them licences to manage discretionary funds. Some foreign firms, however, still fear that other administrative obstacles will be placed in their way.

Clive Wolman

New theories

Managers in US and UK differ on academia's value

TIME-HONOURED City adages about the stock market, such as "Sell in May and go away," have traditionally been dismissed by business school professors as "finance as no better than old wives' tales."

But a symposium held last December, in Brussels, was symptomatic of a development which may challenge the assumption that academic research into finance has generally been aimed at undermining the activities and livelihoods of professional fund managers.

Ever since Dr Harry Markowitz developed modern portfolio theory in 1952, a growing body of volume of statistical analysis of share price movements and portfolio returns on both sides of the Atlantic has pointed to the same conclusion. Nearly all securities in which there is a liquid market are efficiently priced, it suggests, i.e. their prices fully take into account all available information about the underlying companies. Therefore fund managers should stop trying to pick individual stocks and confine their energies to minimising the riskiness of their portfolios through diversification.

The more entrepreneurial alumni of business schools and mathematics faculties in the US have succeeded in applying and marketing the results of their scholarship to investment management houses and pension plan sponsors. But in the UK the gap between academia and the City has probably been even wider than that between academia and industry.

In university lecture theatres, the efficient market theory is asserted as self-evident truth; on City trading floors, it is scorned as self-evident nonsense.

But the dichotomy has become more blurred over the last three years. On one side of the divide, a few City institutions, such as County Investment Management, Baring Brothers and Chase Manhattan Securities, have started marketing investment products to pension fund trustees that are based on the quantitative analysis of the volatility of securities.

The most widespread fund management product that the "quants" (financiers with an academic background in the quantitative sciences) have developed is that of portfolio insurance. This is designed to

ensure that, in return for sacrificing some of his return in a bull market, the investor can protect himself against any significant losses in a bear market, by the use of a synthetic option.

On the other side of the divide, the general applicability of the efficient market theory has been challenged, and a growing number of studies published that have identified somewhat surprising exceptions to it.

One of the more general sceptics is Dr Desmond Corner, of the Emec Fairbairn centre for investment trusts and unit trusts at Exeter University. "The tests of market efficiency

One of the first examples of market inefficiency to be spotted was the small-company effect — namely that the returns from small quoted companies have been consistently higher than from their larger counterparts. Thus a shrewd fund manager could have achieved above-average returns by weighting his portfolio towards smaller companies. This conclusion has been found to apply to the UK, US, Australian, Canadian, Japanese, Dutch and Finnish stock markets.

The returns from small quoted companies have been consistently higher than from their larger counterparts. Thus a shrewd manager could have achieved above-average returns by weighting his portfolio towards smaller companies.

Most of the anomalies relate to the different times of the day and the year. Thus abnormally high returns can be achieved, particularly from holding small-company shares, in January, at least in the US and Canadian stock markets. In the UK, the most profitable month is April and the least profitable May, at least for shares in larger firms.

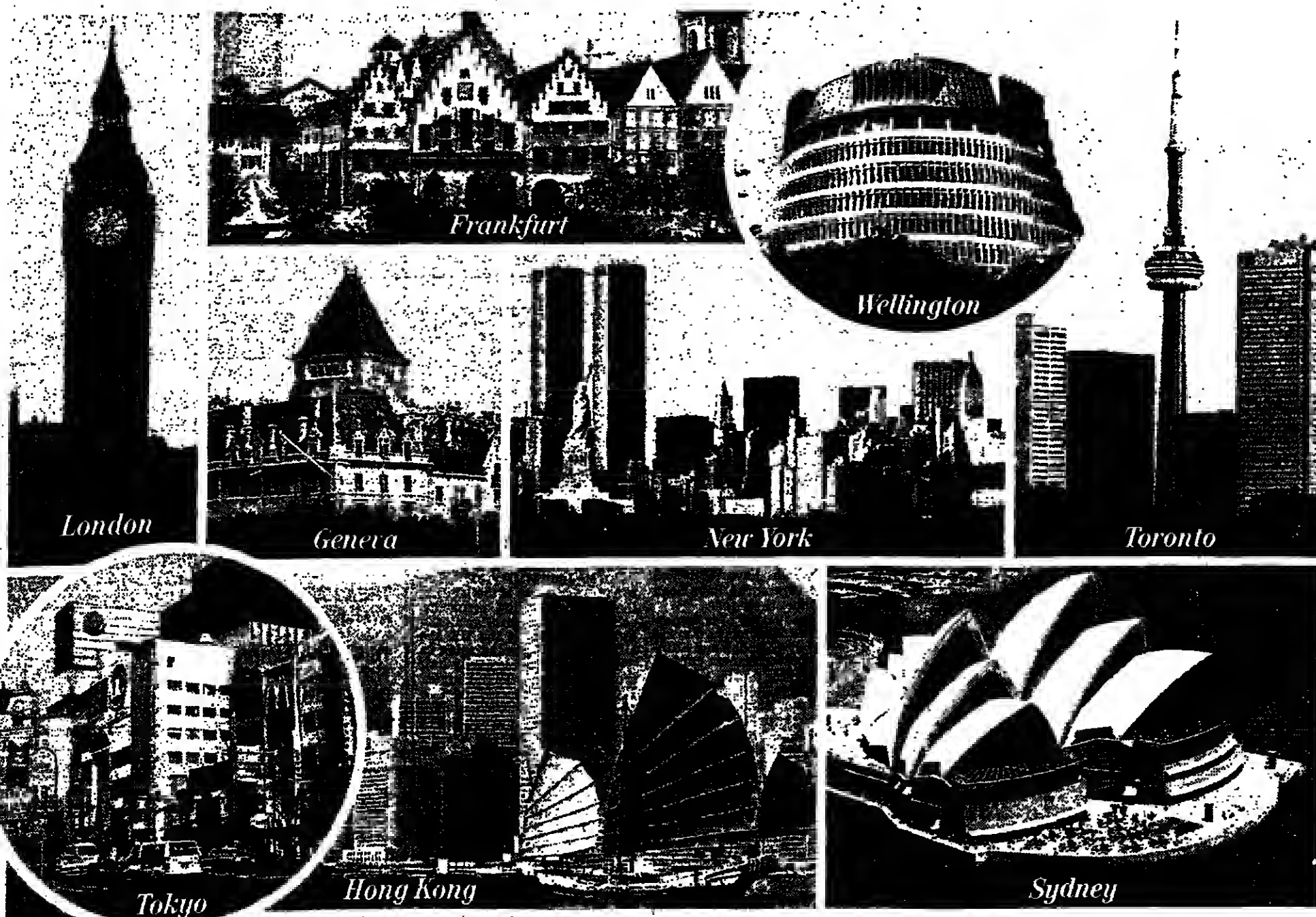
Other evidence suggests a weekend effect in most stock markets around the globe, which makes Mondays the most profitable day on which to hold shares.

A summary of these findings, together with an assessment of their implications, is being published in a book edited by Dr Zeynep Dinçel, senior lecturer in finance at the London Business School, who has himself analysed the evidence of a small-company effect.

Mr Dimson remains sceptical as to whether the existence of such examples of mispricing can be used to justify the employment of traditional active fund managers. Some managers may have outperformed the relevant stock market index by exploiting some of these anomalies; for example by concentrating on small companies, he says. But this may just reflect good luck rather than their skill in identifying the anomalies — and thus there may be little chance of their identifying other anomalies in the future.

Clive Wolman

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David Gee

gain

International Fund Management 6

Offshore Funds

Entry vehicle to specialist niches

OFFSHORE FUNDS are mutual funds with a similar structure to unit trusts, but which are based in tax-havens or low tax areas. Since they operate outside the investor protection and tax relations of major countries, they are able to invest in a broader range of instruments than onshore domestic investment companies. It is this flexibility, rather than specific tax loopholes, which is their main attraction for investors. In the UK, the offshore funds' continuing popular reputation as vehicles for escaping the attention of the tax man is largely a legacy of the specific provisions of the 1984 Finance Act, when, after the suspension of exchange controls, there was a rapid outflow of cash to offshore centres, spurred on by a well-publicised tax loophole. This was provided by the "roll-up" funds which converted income into capital gain. The 1984 Finance Act took away the main attraction of these funds when it laid down that any UK resident realising a gain from an offshore fund after January 1984 would have to pay income tax on his profit unless the investment concerned was approved as a "distributor" fund. This destroyed the attractions of the "roll-up" funds for the bulk of UK investors, except for those facing retirement or other change in their tax status making it advantageous for them to defer their tax liability. "Distributor" funds have to make payment away each year of not less than 85 per cent of their income. A UK resident investing in such a fund is liable to income tax on the dividends he receives, and capital gains tax on profits made from selling shares. This puts the taxation treatment of most offshore funds on a comparable footing with unit trusts for most UK investors, while, from some other points of view, offshore funds are disadvantageous. First, their charges, both in terms of management costs and up-front fees, tend to be higher. Secondly, distributor status must be re-applied for each year, and the penalties for the investor of failure to achieve it can be severe. The investor can find that during the disqualification period he has to pay income tax on the whole of realised profits. But if domestic investors, who would otherwise invest in unit trusts, were the backbone of the offshore industry's clientele, it would almost certainly be dead by now. The offshore industry's future lies rather in its ability to provide a range of flexible investment vehicles that are not available through onshore vehicles to specialised investors and the growing pool of overseas and expatriate savers. For instance, uncertainty over the taxation treatment of futures and options funds has inhibited their development in the UK, so they tend to be concentrated in offshore centres. Offshore money funds provide the investor with a wide range of foreign exchange and interest rates. These funds either take the form of single currency funds, or managed funds, where the fund manager switches between different currencies. Offshore equity and bond funds provide access to specialised areas such as Eurobonds. Over the last two and a half years "umbrella" funds, which allow for switching between different types of instrument at a low cost and free of capital gains tax, have sprung up. Gartmore Fund Managers, for instance, which pioneered the "umbrella" fund, says that its Jersey-based Capital Strategy Fund has 15 classes of shares, ranging from currency to equity to specialised investment areas. For the enthusiast, the "umbrella" fund, says that its Jersey-based Capital Strategy Fund has 15 classes of shares, ranging from currency to equity to specialised investment areas. In these cases, the board of directors to the fund will make overall, directional decisions. Day-to-day running will effectively be organised by a fund manager elsewhere, who is paid a fee for his services. Decisions will be taken by an interchange of advisory and instructing telegrams. In the Channel Islands, management will amount to clerical and administrative functions and also make sure that all investments fall within the scope of the fund. The larger Channel Islands fund management organisations, however, are sometimes more autonomous than this. Hill Samuel's Jersey operation, for instance, has locally qualified staff since it is also involved in providing discretionary services to private clients. Currently, the scope for marketing offshore funds tends to be limited. In the UK, they can effectively be advertised only through an "expert" adviser. The Financial Services Bill, which incorporates EEC directives on offshore funds which must be in place in EEC countries by 1989, could break down the barriers to direct advertisement, although it is also likely to tighten the disclosure requirements for all classes of investment vehicle. Meanwhile, the EEC legislation has negative implications for non-EEC funds. It will allow EEC funds to be freely marketed across borders, but non-EEC centres, including the Channel Islands and Hong Kong, will have to apply to individual countries for recognition. In the UK, offshore funds have shed most of their erstwhile attractions for domestic investors. But the provision of specialist investment opportunities ensures them a continued niche. According to offshore fund managers, the market for their services keeps on growing. They compare the rise of their industry to that of unit trusts in the domestic markets: offshore funds are the offshore response to the need for efficient management of a growing pool of savings worldwide. "Of course we're growing," said one, "we're the mutual funds side of the Eurobond market."



Hong Kong, a major player in world financial markets. EEC legislation will allow EEC funds to be freely marketed across borders, but other centres, including Hong Kong and the Channel Islands, will have to apply to individual countries for recognition.

obviously draw on a wealth of on-the-ground expertise. Funds managed from the Channel Islands, on the other hand, may be heavily dependant on input from outside. This is particularly the case in the more specialised investment areas. While a single money fund may be effectively managed from Guernsey, restricted funds, such as those investing in small high-technology companies, need a great deal of help in day-to-day decision-making. In these cases, the board of directors to the fund will make overall, directional decisions. Day-to-day running will effectively be organised by a fund manager elsewhere, who is paid a fee for his services. Decisions will be taken by an interchange of advisory and instructing telegrams. In the Channel Islands, management will amount to clerical and administrative functions and also make sure that all investments fall within the scope of the fund. The larger Channel Islands fund management organisations, however, are sometimes more autonomous than this. Hill Samuel's Jersey operation, for instance, has locally qualified staff since it is also involved in providing discretionary services to private clients. Currently, the scope for marketing offshore funds tends to be limited. In the UK, they can effectively be advertised only through an "expert" adviser. The Financial Services Bill, which incorporates EEC directives on offshore funds which must be in place in EEC countries by 1989, could break down the barriers to direct advertisement, although it is also likely to tighten the disclosure requirements for all classes of investment vehicle. Meanwhile, the EEC legislation has negative implications for non-EEC funds. It will allow EEC funds to be freely marketed across borders, but non-EEC centres, including the Channel Islands and Hong Kong, will have to apply to individual countries for recognition. In the UK, offshore funds have shed most of their erstwhile attractions for domestic investors. But the provision of specialist investment opportunities ensures them a continued niche. According to offshore fund managers, the market for their services keeps on growing. They compare the rise of their industry to that of unit trusts in the domestic markets: offshore funds are the offshore response to the need for efficient management of a growing pool of savings worldwide. "Of course we're growing," said one, "we're the mutual funds side of the Eurobond market."

Clare Pearson

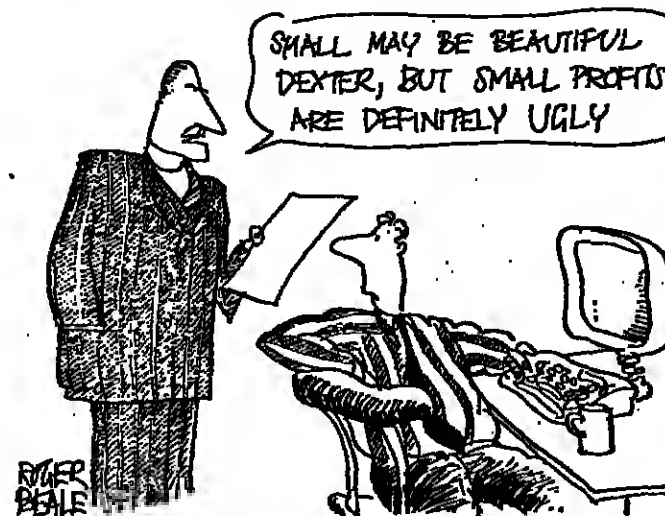
Management Houses

Shopping round the boutiques

SMALL IS beautiful—or so we were told in the 1970s. But in the world of international fund management, it's still an open question whether the big battalions or the small specialist boutiques offer clients the best deal. A fund manager who works for a large, diversified financial conglomerate has the backing of a prestige name and sophisticated marketing men. But enterprising top-flight analysts can give themselves off into small independent management units (the so-called boutiques). The question is how to weigh up the relative advantages and disadvantages of each strategy. For Mr Norman Pilkington, of Geoffrey Morley, the London-based equity managers, independence is vital. Geoffrey Morley—which falls into the "boutique" category—began life in 1971, founded by a former head of investment management at Sbell. Remunerated solely by fee income levied on the market value of its funds under management, the fund manager is free from the pressure in a takeover bid situation, says Mr Pilkington. The implication is that a fund manager without such autonomy—owned, perhaps, by a merchant bank—has inevitably compromised its independence and will favour the stocks with which its parent group has links. And Mr Pilkington points out, a small independent manager is not necessarily handicapped by lack of resources that prevent him from operating a global network of offices or following obscure companies and sectors—because "a fund manager is buying shares, not businesses." But Mr Pilkington may be overstating the case. Conflicts of interest are less large when a fund manager is choosing stocks for a highly diversified international portfolio. And fund managers are in the business of trying to add value above and beyond what the market offers, which means searching out inefficiently priced stocks which are likely to be easily found only in less accessible markets. "You don't need to leave London to get good research on Hitachi, but you need to go to find a growing company in Australia," says an investment manager from a leading UK merchant bank. This is more important in some client markets than others. A UK pension fund might want its managers to invest in small companies at the

margin—but would opt mainly for a conservatively planned portfolio run by a single fund management group. A US fund, on the other hand, might take the more radical approach of assembling a dozen separate fund managers, and expect them each to contribute a different area of specialised knowledge. For that, the fund manager needs the time and manpower to do original research. In turn, the "boutique" manager like Geoffrey Morley, which lays claim to expertise in all three big markets (Europe, the US and the Pacific), can be helped by one year's mediocre performance. Without a big name behind him, the boutique manager is held more harshly to account if his funds slip behind in performance tables. Geoffrey Morley for instance lost ground with customers in 1983 when rapid expansion in its clientele coincided with a mistaken decision to go bearish at the beginning of the year. However, the fund manager arm of a big conglomerate offer the customer as compensation for the potential risks of conflicts of interest? Some of the advantages are more obvious than others. A fund management team backed by financial strength of

a big institution can weather crises—such as the loss of key research staff—which damage otherwise severely client confidence. In turn, it is better able to meet onerous expenses such as the escalating cost of professional indemnity insurance. It can more easily satisfy the capital adequacy tests imposed by US regulators. If it plans a North American subsidiary. And, in the words of one London-based fund manager, a big name—like Schroder, Mercury Warburg or Touche Ross—helps enormously in a very intangible way—opening doors for new business. Japan is the fund management market where those big names are most useful as marketing tools. That is especially true at a time when Mercury Warburg and Schroders, to name but two British fund managers, are applying for the new discretionary fund management licences recently announced by Tokyo finance ministry officials (Githarto, they have been consulted by the fund manager arm of a big conglomerate offer the customer as compensation for the potential risks of conflicts of interest? Some of the advantages are more obvious than others. A fund management team backed by financial strength of



Japanese fund management clients, a Tokyo office is essential," says a Warburg fund manager in London. Second, Japanese investors have traditionally paid less regard to what foreigners might see as conflicts of interest. In other words, they would expect a management house to offer a reduced fee on the understanding that it would make up the difference by earning money from dealing profits—and only a financial conglomerate incorporating broking and market-making arms can do that. A further strength for the big institution's fund management arm is the package of services it can construct from its parent's resources. Mercury Warburg, the British financial services conglomerate, has adopted a holding company structure—which is one way of demonstrating determination to preclude conflicts of interest between, say, S.G. Warburg, the merchant bank, and Rowe and Pitman, its associated stockbroker. But the structure also means that in marketing its fund management expertise, the group's investment management arm can offer the client the full range of banking services. That leaves the problem of motivating individual managers (which is about more than paying them six-figure salaries). Arguably, the way to cut out the bureaucratic centralisation that hampers enterprise is to split up fund management into smaller, quasi-autonomous teams, on the marketing and the research side. In London, for instance, Schroder has already distanced its investment management arm from the parent merchant bank (their offices are several hundred yards apart—expressing physically the "Chinese Wall" separating the two functions and preventing conflicts of interest). But within its investment management arm, Schroder has three distinct companies—Schroder Investment Management (serving the UK), Schroder Capital Management (for the US), and Schroder Investment Management (UK, Inc). Each has its own business development team. In turn, within the UK company the fund managers are divided into a team specialising in pension funds, another team making decisions about overseas investment, and a group of UK "balance managers" taking a broader view.

Nick Bunker

Fund Managers were recently asked to describe their ideal bank...

Survey conducted by Mahon Ltd.

- It would provide a comprehensive range of products and services including custody, portfolio record keeping and cash management, and
• it would offer strong international capabilities in global settlements, foreign exchange and financial engineering supported by a worldwide network of offices, and
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Management charges

Fees emerge into the open

THE LOW charges imposed by UK fund managers were always one of the puzzles in the pre-Big Bang City. Whereas the UK was one of the world's most expensive financial centres in which to buy or sell shares, because of its minimum commission exemptions, the enforced broker-jobber distinction and stamp duty, it also appeared to be one of the cheapest places to employ a fund manager. The paradox was partly explained by the existence of hidden charges. The most common hidden cost was the ability of merchant banks, other large fund management houses and most of all stockbrokers who were also fund managers, to pocket some of the stockbroking commissions for themselves by issuing their own contract notes at commission rates above the true rates. This form of remuneration accounted for more than half the total income of some fund management operations. But with the ending of minimum commissions, most UK fund managers, with a few exceptions, have been abandoning this form of hidden charge. Even the large stockbroking-fund management firms, such as Phillips and Drew, De Zoete and Bevan and Fielding, Newson-Smith, have started to charge explicit fees, at least for their new clients. The only major exception to this development is believed to be the stockbroking firm, Cazenove and Co. Most of these firms have raised their charges to compensate for this loss of income, albeit only partially. Most merchant banks have increased their fees by between 40 and 50 per cent. At the same time, many of the smaller independent houses, particularly the Scottish ones such as Martin Currie which have achieved strong performances, have been able to raise their fees. The introduction of transparent charge scales has now made it clearer that London and Edinburgh are the cheapest centres in the world for portfolio investment management. The going rate for a portfolio of UK domestic equities or a "balanced fund"—which contains some overseas stocks—is between 0.15 and 0.25 per cent a year for funds with assets of between £10m and £50m. For larger funds, the rate falls to 0.1 or 0.125 per cent. And for ultra-large sums the fees can be squeezed to below 0.1 per cent, as the British Rail pension fund administrators have been demonstrating in their negotiations with the six fund managers who have been allocated their £4.5bn portfolio of assets. Offsetting these pressures has

been the general rise in assets under management, a consequence of the rising stock market, and, until recently, net cash inflows into pension funds. Another factor has been the growth in overseas investment on which the management charges and profit margins are higher. Overseas management charges, when quoted explicitly, are typically 25 per cent more than domestic charges. However, some fund management houses continue to charge indirect fees for overseas portfolio management. Some charge a levy on the value of equity transactions in overseas markets, typically 0.5 per cent per year. As turnover in overseas portfolios can be as high as 100 per cent, a pension fund will often have to pay out more for the management of its overseas assets, which account on average for 20 per cent of the total, than for its domestic assets. International fund management can also be remunerative because of the substantial benefits given by Japanese and US fund managers to clients who provide them with a high volume of commission. The benefits can cover everything from the provision of screens and information services to sponsored overseas trips. Currency transactions carried out at below best terms can also boost a fund manager's income. For fund management houses with a large pension fund client base, a lucrative way of charging pension fund clients for overseas investments is by channelling their assets through in-house unit trusts which specialise in particular overseas markets. The annual management charges of unit trusts are 0.75 to 1.0 per cent (although some houses give rebates). But Mr John Wigley, of R. Watson and Sons, one of the leading firms of consulting actuaries, estimates that, even after all the hidden charges in the UK are allowed for, the going rates in the UK are probably only half those in the US. Even the largest US funds can be charged 0.35 per cent per year. "We should not be too hawkish about fees in the UK. They remain low by international standards," he says. European fund managers, such as the Germans and the Swiss, are charging rates similar to those in the US.

These discrepancies have created export opportunities for UK fund managers in the US pension fund market. Despite lengthy, expensive journeys across North America meeting potential clients, often with little success, most UK firms have achieved a high return on their marketing investment because of the higher fees. A small US fund, of say \$20m, will often be willing to pay 0.6 to 0.7 per cent per year to its managers. At the same time, the entry of such US investment firms as Merrill Lynch and Citicorp into the UK is having an impact on the job market in London, as they offer those fund managers with the most impressive track records substantial salary increases. Whereas the average fund manager in a merchant bank or insurance company earns £30,000 to £40,000 a year—more if he has expertise in particular overseas markets, less if he is based in Scotland—the US firms have been willing to pay up to £100,000 a year including bonuses. And the smaller independent houses, such as Gartmore and Fidelity, offer equity stakes as an alternative attraction. The profit and loss accounts of UK fund management houses are being squeezed by the upward pressure on salary levels, also a product of the general rise in City salaries since 1983, and by a rise in other costs such as liability and fidelity insurance. Fidelity International, the London offshoot of a US com-

Clive Wolman

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Passive management

Pension plan sponsors help provide the impetus

THE DRAMATIC growth in passively managed index-tracking funds in the US, UK and Japan over the last two years represents the fruits of a sustained 20-year academic critique of the performance of the traditional active stock-picking, sector-swapping fund manager.

In the US, the assets in passively managed equity funds accounted for over \$100bn at the start of this year, or 5 per cent of the US equity assets of pension funds. The first and largest passive fund management group, Wells Fargo Investment Advisors, a subsidiary of the San Francisco bank, has seen its assets under management grow from \$14bn at the start of 1985 to over \$40bn today.

In the UK, Wells Fargo made an unsuccessful attempt to sell its passive management services between 1980 and 1983. But it closed its London marketing operations just as pension fund trustees were beginning to show an interest. As a result, the pickings have been left mainly to the investment management subsidiaries of the large clearing banks. Their total funds under management are now about \$3bn, or 2 per cent of total pension fund assets in UK equities. In-house pension funds using a passive approach include Marks, Bank Xerox and, in a less systematic way, the Post Office and British Telecom.

funds have been launched by the securities houses only in the last 15 months, but they have grown rapidly. In contrast to their Anglo-Saxon counterparts, they have attracted a large clientele of private investors, who have suffered from the poor performance of the large securities houses' investment trusts. The most successful fund so far is that launched by Nikko in February, which is the first one to track the entire first section of the Tokyo Stock Exchange.

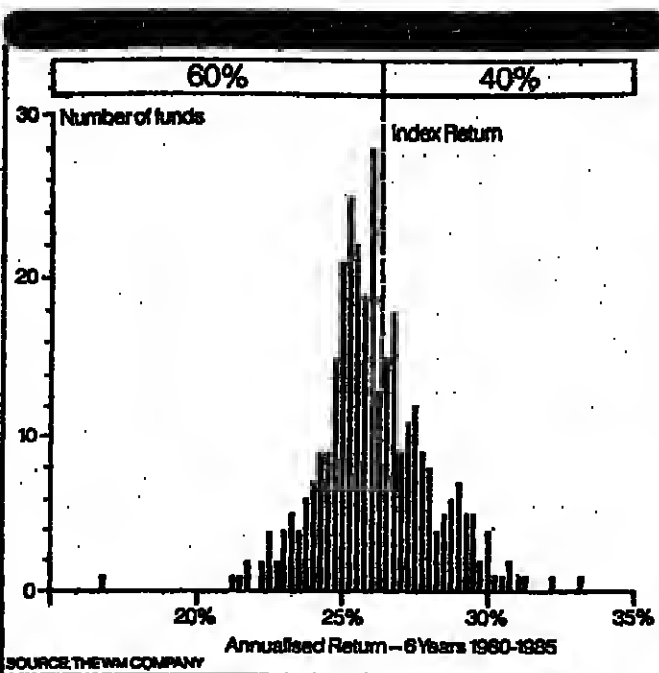
In Japan, a fund launched by Nikko is the first to track the entire first section of the Tokyo Stock Exchange.

growth of passive management's popularity has been the realisation, among pension plan sponsors and other employers of fund managers, that active managers have been consistently under-performing when measured against the relevant stock market index. That realisation has arisen partly through their increasing use of sophisticated performance measurement services, which have highlighted just what a bad patch fund managers

have been going through over the past three years. US fund managers on average under-performed the Standard and Poors 500 index, one of the most common benchmarks of returns from the US stock market, in each of the years from 1983 to 1985.

At the same time, some of the technical obstacles which diminished the attractions of an index-tracking fund have been removed. One is the deregulation of financial markets and the removal of minimum commissions, in 1975 in New York and this year in London. Passive fund managers no longer pay for research they do not need when they are obliged to buy or sell stock. The growth of programme trading and other methods of bypassing the traditional chain of brokers and market-makers has given them greater scope for cutting dealing costs.

The other development has been in computer power and databases, where further possibilities have been created for cutting dealing costs which would otherwise lead to consistent under-performance by the fund. Electronics have been harnessed in each of the three ways most commonly used to match an index: full replication, sectoral sampling and risk-based sampling. Full replication is the method used by Wells Fargo in its giant S and P 500, which has over



As a result, the Frank Russell fund in the UK typically under-performs the index by about 0.2 per cent per year, although this shortfall should be reduced in the wake of the Big Bang deregulation. Wells Fargo is in a stronger position because of its size. First, many of the transactions it makes for the S and P 500 fund are cross-over with other funds at zero cost. Its bank of computers is also constantly analysing the opportunities the market throws up through programme trading and other deals that will allow it to invest relatively small amounts of cash in individual stocks at low or zero transaction costs. Because the fund is so large, an extra \$50,000 in one stock will not unbalance the portfolio. Because of the size and range of its 'inventory', Wells Fargo has also become a large-scale lender of stock to market-makers and other traders who have sold short. In some years, the fees from stock-lending can exceed transactions costs, so that the fund is able to beat the index. The other two methods are more suitable for funds which are not able to exploit economies of scale as thoroughly and efficiently as Wells Fargo, or which aim to track an index containing far more than 500 stocks. Sectoral sampling is a method

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popularised in the US by the Bankers Trust, which has also set up a similar operation in the UK. Its S & P 500 fund invests in about 110 of the largest companies, representing 70 per cent of the market capitalisation of the index, and another 100 of the smaller companies which

Full replication is the method used by Wells Fargo in its giant S and P 500, which has over \$23bn of assets.

are chosen as a representative sample of the all the industrial sectors of the index. The main weakness of this approach is that it fails to take into account riskiness which is not related to industrial sectors. The other method of sampling is to select a representative sample of stocks on the basis of their historic risk (volatility), rather than sectoral characteristics. This is the method used by two of the largest index-tracking managers in the UK, Barclays and County Bank, a National Westminster subsidiary, and by Chase Manhattan bank. All are using the same database developed by Barra, a company set up by academics at the University of California in Berkeley.

Some users fear that this database, on which the risk characteristics of stocks are based, does not stretch back far enough. There is an additional problem of whether the fund manager should substitute his own judgment if there are reasons for thinking that the riskiness of a stock has fundamentally changed.

A further possibility for a smaller fund is to rely entirely on stock index futures and options. The difficulties in this approach are the lack of liquidity in the relevant contracts, particularly in the UK, legal inhibitions, particularly on pension funds, and the risk of pricing anomalies.

Over the next few years, the biggest growth area is likely to be in international passive funds, particularly as US investors look for greater opportunities in overseas equity markets in which they lack the expertise to pick individual stocks. Well over \$1bn is already invested in funds linked to international stock market indices, of which the most popular are the Morgan Stanley Capital International indices. The UK has been lagging behind, and an attempt by River and Mercantile Investment Management, to launch a \$10m international fund in July failed to attract support.

Clive Wolman

Marketing of fund managers

Joint operations can make sense

FOR YEARS the famous international fund manager John Templeton ran modest amounts of money out of his Lyford Cay, Bahamas, mansion. For regulatory reasons, he based his mutual fund, Templeton Growth, in Toronto, and only limited numbers of other clients received the benefit of his pioneering efforts in portfolio management during the sixties and early seventies. Only in the late seventies did the marketing men move in. New US mutual funds were launched there was an entry in the pension fund market; and the funds under management multiplied. In the past five-and-a-half years the assets under Templeton's control have grown from \$1.2bn to \$3.1bn, although the investment performance has been nowhere near as good as in the early years. Marketing counts for a lot.

In the mutual fund business, techniques of marketing have been developed over a very long period. Most funds are marketed through intermediaries or direct salesmen, backed up by advertising campaigns. It is simpler within national markets than in the offshore business, when clients may be much more difficult and expensive to reach. So fundamental is marketing to the success of retail business that the investment side can become subsidiary, to the extent that it can even be contracted out. Truly exceptional investment performance will sell itself, but in practice that is rarely achieved for long, and certainly not across the wide ranges of specialist funds which are now usually offered by fund management groups.

But at the level of institutional clients, the emphasis tends to be different. Performance is regularly monitored and there is usually regular personal contact between client and fund manager. Marketing is therefore in more closely to the investment process. The experience with international Eriss funds, the global elements of the portfolios of US pension plans, has been that the sheer cost of transatlantic marketing has loaded the dice in favour of the bigger players.

One or two British specialists, such as Martie Currie of Edinburgh, have achieved success, but bigger operations such as J. P. Morgan, Barings and Morgan Grenfell have made the running. In such circumstances, there is a good deal of logic in joint operations, with an American house providing a local marketing framework while the overseas firm contributes the global investment expertise.

Rowe Price Fleming, a joint venture between T. Rowe Price and Robert Fleming, has been in operation for seven years and has topped the \$20n mark for funds under management. But such relationships can only last so long as the interests of the partners do not start to conflict, which will happen when the American firms grow keen to develop their own international expertise.

American fund managers are now making much more aggressive push into the international fund management business, and their superior marketing connections with existing domestic Eriss clients make them tough competition for British rivals. But the market is growing so fast that there is still room for a variety of players. Nevertheless the international fund managers based in London are now looking for other outlets, notably in Japan

where the outflow of investment capital is creating major opportunities. So far most of the money has been exercised by dollar-denominated funds, but significant responses are now starting to come London's way.

For instance, Schroder says that something like 40 per cent of its global business is now being generated by the marketing operation it has started in Tokyo. Robert Fleming is also selling hard in Tokyo, having again chosen a local partner, this time Yasuda Trust and Banking.

Entry costs are even higher in Japan than in the US, for the biggest institutions have a major advantage. But within the US the relatively small and specialist fund management firm can be successful, within the framework of marketing services and analysis established by independent intermediaries such as Frank Russell.

Some of the bigger London managers have also been tackling the potential of Continental Europe, but the pickings appear to have been fairly lean so far, with the Netherlands the best of an unexciting bunch. Some managers claim they see potential in France and Switzerland, however.

The arrival of Frank Russell and others on the international stage raises the question of whether 'porting' might be able to make more of an impact on the global scene. But there are formidable hurdles.

To start with, the performance figures which are so important in sorting out the sheep from the goats within the domestic institutional market in the US are not yet available in the right quality for global managers.

Secondly, the logistics of client contact across half the globe are so expensive and time-consuming that the number of client accounts that can be serviced by a single executive is significantly less than for domestic managers in the US or the UK.

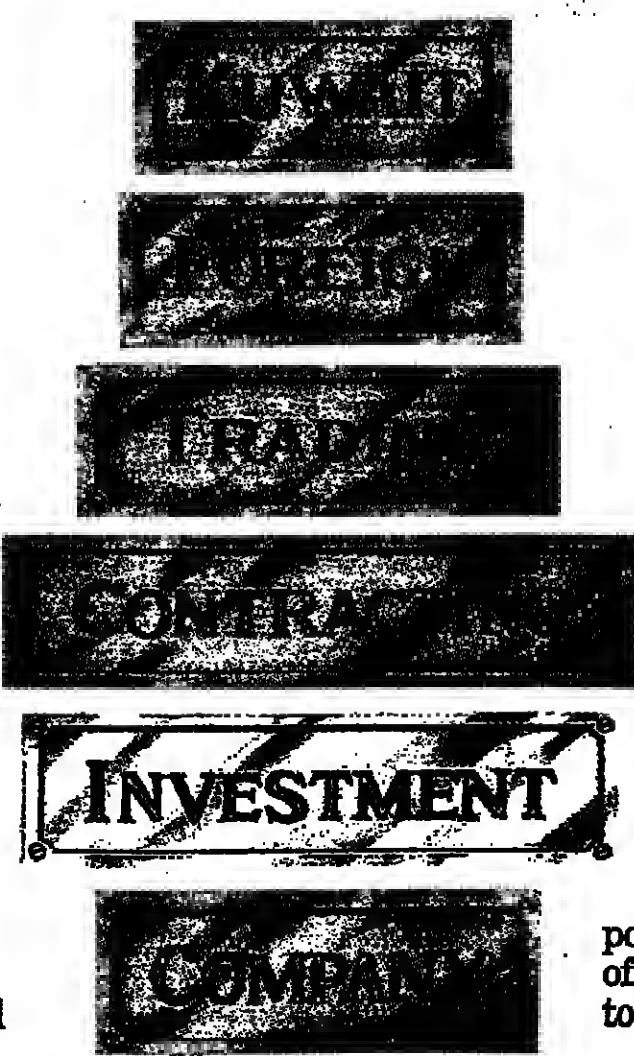
That means the investment organisations have to employ more people in order to achieve a given level of funds under management. They also need to carry a bigger research and administration overhead (though global brokerage groups are now seeking to deliver research and trading facilities directly to fund managers almost wherever in the world they may be).

Generally speaking, a sizeable organisation, with branches in key centres around the world, is still required to give comfort to clients. But many of the international managers are now generating lengthy enough performance records — five years or more of global management — for their proven achievements to have some relevance, one way or the other.

In the marketing sense, however, there are various ways of selling a global product. Simple claims of likely outperformance compared with a domestic product may not be the most effective. Clients may be seeking a currency hedge, or risk reduction through diversification. They may even be looking for tax benefits, or for a way around existing or threatened exchange controls. Swiss banks have very effectively marketed themselves as offering capital preservation services over the years, without ever having to resort to measurement of performance.

Barry Riley

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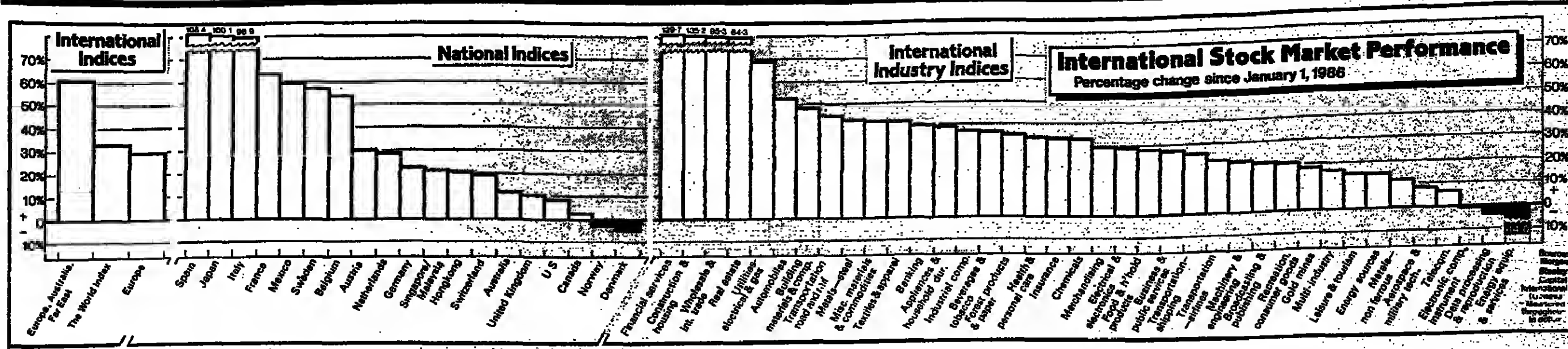
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International Fund Management 8



Performance measurement

Managers say the world index overlooks their objectives

INTERNATIONAL INVESTMENT managers have been on the counter-attack against their performance assessors over the past 18 months. Their protest is over the methods of measuring their investment returns against the benchmarks provided by a selection of stock market indices.

The results from those measurements have not been flattering. The sample of UK international pension fund managers collected by the WM Company underperformed in each of the past six years since 1980, except for 1983. The Morgan Stanley Capital International World Index (MSCIWI), excluding the UK, is the most common benchmark for comparison.

But many managers are now challenging the MSCIWI. They object to its construction and argue that, in any case, the comparisons are based on a misunderstanding of their objectives in running an internationally diversified portfolio.

According to Mr Philip Henderson, of the Merchant Navy Officers' pension fund: "Nobody gets near to Capital International. You either under-perform or out-perform by a large amount. It bears no relationship to what you can achieve."

The index was developed by the Capital International Perspective company, based in Geneva, and sold to Morgan Stanley, the US investment bank, last year. The construction of such an index, which covers 19 different countries, was fraught with both conceptual and practical difficulties.

Most issues have been resolved in a non-controversial way. These include the differing definitions of equity (warrants, convertibles, preference shares, B-class shares), the establishment of mid-market prices in stock markets with low liquidity and price transparency, and the treatment of withholding tax on dividends and of currency movements.

The criticisms of the fund managers have focused on two more fundamental difficulties which are interrelated. MSCIWI is criticised, on the one hand, for being too much of a market-leaders index and, on the other, for giving too much weight to stocks that are closely held and very difficult or impossible for outside investors to buy.

The "market-leaders" criticism has been used to explain the under-performance of the US portfolios of most domestic and overseas managers in each of the past three years. Most managers were over-weight in the smaller rapid-growth companies in the technology sector whose shares have performed badly. However, relatively few of these companies are included in either the MSCIWI or the Standard and Poors 500 Index, which therefore set an artificially high benchmark, the managers claim.

The MSCIWI covers about 1,500 stocks from 19 countries, a number which has been increasing gradually — and will continue to do so. As an example of how the relatively small sample of stocks in MSCIWI can distort the accuracy of the benchmark, take the UK "portfolio" which is made up of

slightly more than the 100 shares that comprise the FT-SE Index. The FT-SE itself has a tracking error of between 0.5 per cent and 1.0 per cent per year against the FT-Actuaries All-Share Index, widely considered to be the broadest and most accurate reflection of the fortunes of the UK stock market.

Nevertheless, some fund managers believe that a world market-leaders index is the best indicator of the type of performance to be expected from an international fund manager. In his asset allocation, he is often concerned more with the balance between different industrial sectors through investment in, mainly, multinational companies, rather than the allocation between their different countries of origin.

According to Mr Jim McLoughlin, of Phillips and Drew fund managers: "The Capital International index is probably about as good as can be done for giving a generalised impression. But there might be a case for an index of just large international companies, which do a substantial part of their trading outside their own countries."

At the same time, other indices have been developed, particularly in the US, which cover just lower capitalisation stocks. For both the UK and US stock markets, there is also a wide range of industrial sectoral indices, which can be used as benchmarks. As far as pension fund trustees and sponsors are concerned, the correct approach must be to define in advance with the fund managers who are being employed which index, or combination of indices, will be used as a benchmark.

In the US, many pension plan sponsors are using tailor-made international indices to judge the investment managers they have employed. At the other end of the spectrum, Save and Prosper uses the UK All-Share index as the benchmark with which to compare its international performance. It thus rolls together its asset allocation and its stock selection when assessing performance.

The other criticism is that MSCIWI, like nearly all indices, takes no account of the difficulties of buying certain stocks, as all are weighted at their full market capitalisation. For example, the committee that decides the composition of the FT-Actuaries All-Share index has been strongly criticised for insisting that both British Tele-

com and British Gas must enter the index at 100 per cent weighting at the prices fixed by the terms of the privatisation.

The objectors say that the Government continues to own nearly half the shares in issue which are therefore not available to investors, that individuals have been favoured over professional fund managers in the allocation of shares, and that the issues are under-priced to give the new shareholders an immediate profit when dealing begins. These factors have made it impossible to track the index, they claim.

It should be noted, however, that government stakes in privatised companies can also flatter the performance of fund managers when those companies perform poorly (for example, British Petroleum since 1981).

It was, however, the managers investing in Japan who brought these issues to a head. The scale of non-tradeable cross-holdings between Japanese companies has often made it difficult for foreign investors to buy shares in some sectors, particularly the banking sector. Until 1984, bank share prices were held down artificially and lagged well behind the Tokyo New Stock Exchange index, which foreign fund managers consistently out-performed. But in 1984 and 1985, their fortunes were reversed as bank shares soared.

Swedish banks and Swiss-registered companies are two other examples of companies that are represented in MSCIWI and in which foreigners find it difficult to invest, at least through conventional channels.

The Financial Times' Goldmann Sachs, the US-based investment banking and brokerage firm; Wood Mackenzie, the UK stockbrokers; and the Institute and Faculty of Actuaries — will be producing, in January, a new world index covering about 2,000 companies from 24 countries. Like Capital International, general sub-indices will also be covered. But they have not yet devised a way of taking into account the availability of a stock rather than relying exclusively on market capitalisation.

Among unsuccessful attempts to find an objective standard to make such an allowance in the US, Boston fund management group, Grantham Mayo, dropped a project to develop an index based on the liquidity of shares, because of the difficulties of finding a meaningful measure.

Clive Wolman

Salaries

US banks push up London rewards

IN THE last year or so salaries in the City have soared. Phrases like "golden hello", "golden handoffs" and "telephone digit salary" have lapsed into the vernacular and the apocryphal Old Etonian with his third from Oxford and first year in "compensation" for hollering down a telephone about Eurobonds all day has become part of popular mythology.

Eurobonds dealers, syndication specialists and heads of equity tend to be the most highly compensated posts in the highly compensated City, but fund managers, particularly international fund managers are catching up fast.

A recent study by the management consultancy arm of the accountants, Coopers & Lybrand, identified fund management as the next area of city employment where salaries are set to rise. Many observers expect that for international fund managers, the escalation has begun already.

"In the past few years demand for international fund managers has been high, and in recent months it has become even higher," said Mr Roger Steare, a senior consultant specialising in international fund management at the City recruitment consultancy, Jonathan Wren.

"The reason for this is simple: 'More and more companies have been coming to London to set up fund management operations. And at the same time the established concerns are expanding.'

Salaries of UK-based international fund managers (£000's)

Average years' experience	March '85	Sept '85	March '86	Sept '86
7+	30	34	53	80+
6	23	27	35	68
4-5	17	22	29	45
3	14	18	23	32
1-2	12	15	17.5	22

Figures are composite of agency, applicant and placement salaries, and represent guaranteed income.

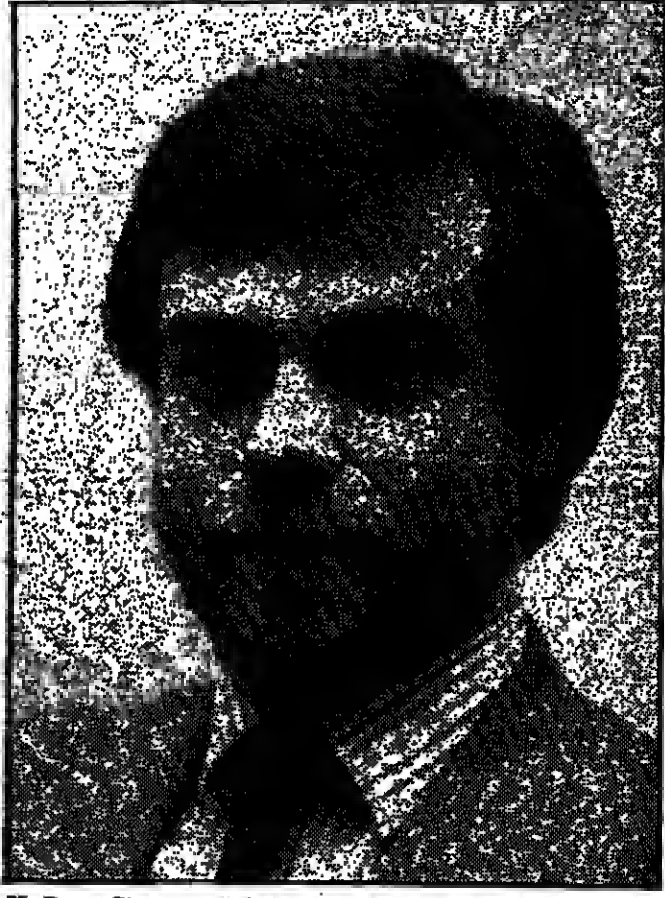
Source: Jonathan Wren

The board of trustees' half yearly review has now become quarterly. A poor performance in the quarterly review will call for some convincing excuses, a second poor performance will lose the business.

A longer-term problem is posed by the risk that London could lose share of the international fund management market to other financial centres.

Ostensibly the prospects for London fund managers seem bright. In recent years an increasing amount of US business has come to London; the Arabs have long regarded London as their chief centre for equity trading; and liberalisation in Japan is prompting the flow of Japanese funds into London too.

But New York and European based fund managers are as eager to coax this business out of London as the London-based firms are keen to attract it. Given that London banks operate under a more liberal regime than either their US or Japanese counterparts the portents for the City look good.



Mr Roger Steare... "There simply aren't enough experienced international fund managers around to fill all the available posts."



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More and more companies have been coming to London to set up fund management operations. And at the same time the established concerns are expanding."

More and more companies have been coming to London to set up fund management operations. At the same time the established concerns are expanding. There simply are not enough experienced international fund managers around to fill all the available posts.

Overseas banks have emerged as one of the most dynamic sources of new competition in the international fund management sphere. In the past year or so a stream of US, Arab and Japanese banks have set up fund management operations in London.

The Bank of America's fund management subsidiary, BANCO, for example now manages \$1.25bn of funds in London.

The US banks have not only increased the demand for fund managers in London, they have also changed the salary structure of the profession. Traditionally international fund managers have been more highly paid in New York than London. Firms like Goldman Sachs, Merrill Lynch and Fidelity have "imported" their high salaries to the UK — paying as much as \$100,000 a year for top fund managers — thereby forcing the established UK houses to increase the salaries of their employees in order to remain competitive.

This trend has also affected overseas houses. The Japanese banks, for example, which have traditionally paid relatively low rates to fund managers in their domestic market, have been forced to increase salaries for their London operations.

Initially these foreign houses were lured to London because

of its emergence as the international centre of capital trading. But the prospect of the City's emergence as the third international centre of equity dealing, after the Big Bang in October, has accelerated the flow of foreign houses into London.

This pattern has been reflected in the largest fund managers. According to Mr Roger Steare of Jonathan Wren, the salaries of bond portfolio managers rose first, but over the past six or nine months those of insurance houses and managers have followed suit.

The emergence of overseas banks as major players in the London-based international fund management sphere has been accompanied by an increase in domestic activity. New British-owned fund management concerns have surfaced and the long established contenders, such as the large insurance houses, have restructured their operations.

Barclays Bank, for example, has recently separated its fund management division from the clearing bank. One of the chief reasons for the restructuring was to offer fund managers an independent, and more generous, salary structure.

Two of the largest British insurance houses, the Prudential and Legal & General, have both recently separated their fund management activities from their core operations.

Many of these new, and many of the long-established operations, have embarked upon these launch and expansion programmes not because additional business has already been generated, but because they expect the Big Bang to catalyse an increase in London's share of international securities trading and for more funds to move into London for management.

The precedent set by the US markets after May Day, New York's equivalent to the Big Bang, in 1975 is certainly encouraging. May Day did succeed in revitalising the US securities markets and the flow of domestic and overseas fund management activity increased. So did fund managers' salaries.

In London, salaries have risen in advance of the Big Bang. Citing specific examples, or even drawing general guidelines to City salaries is notoriously difficult, and the fund management field is no exception. Yet Jonathan Wren estimates that at a decent firm with three or four years experience could expect to earn between £50,000 and £80,000 today, compared with between £25,000 and £30,000 two years ago.

For the very best international fund managers the rewards

are, unsurprisingly, even higher. Jonathan Wren calculates that a top international fund manager could expect to earn around £100,000. Even a lower calibre manager, at a less prestigious firm, with less experience should earn around £20,000.

If salaries in London after the Big Bang followed the same pattern as those in New York the spread of salaries should widen. Traditionally demand for international fund managers, and hence the salaries they can claim, has been higher in some areas of the equity markets than in others. A year ago, for example, when the stock markets of Europe, in particular those in France and Italy, were especially buoyant, international fund managers with expertise in European equities were in high demand.

Today the picture is rather better balanced. Given that stock markets all over the world are unusually volatile there is no clear demand for one area of specialisation over another.

The career route to international fund management in London is relatively straightforward. The area tends to attract the more conventional, graduate entrants to the

May Day succeeded in revitalising the US securities markets. Fund management activity increased. So did fund managers' salaries. In London, salaries have risen in advance of Big Bang.

City than the "barrow boy" wheelers and dealers who have flourished in other sectors.

The typical international fund manager, as Jonathan Wren depicts him or her, will have come straight into the City after graduation, generally in economics with a first or upper second class degree.

A few years, just one year for the high flier, up to three for the main body, will be spent in another discipline, probably as a trainee investment analyst.

"But they will get their hands on funds sooner or later," said Mr Roger Steare. "And once they do there is no stopping them."

Yet even the whizziest of international fund managers the more immediate problem of coping with the increasing competition within the existing market-place. With so many new contenders in the market, international fund management is becoming more and more competitive, and clients increasingly fickle.



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International Fund Management 9



Jasper Olivier, Hambros director: "a fund manager's life is much more exciting."



Kevin Pakenham, chief executive, Foreign and Colonial: "tremendous weight of travelling."

Investment Managers

Travel brings in the young

FUND MANAGERS, in the past, may have had an image of being old, staid and boring, but all that is changing. Now they are young, intellectually sharp, often women, and their job is increasingly seen as being a rather glamorous one.

There are several reasons for this. First, the internationalisation of fund management has meant that fund managers have to spend a lot of their time travelling.

In the days when institutional investors put only a tiny proportion of their funds abroad, they could use a third party's advice about which companies to invest in. But now, increased competition in the industry and pressure on them to add value to their portfolios has forced them to visit personally the companies they invest in.

This is what Mr Kevin Pakenham, chief executive of Foreign and Colonial, has called, "a tremendous weight of travelling." It is quite common for fund managers to spend one tenth of their time travelling and not uncommon for it to be much more than that. An increasing number of firms have also been setting up overseas offices to follow what is happening in foreign markets from close up.

One effect has been to discourage older people with families, who may not be so keen on spending so much time away from home. Another has been to pull in younger people, who may find the prospect of foreign trips rather glamorous.

"The international side has an appeal to the young," says Mr Jasper Olivier, a director of Hambros. "The prospect of having three years in Hong Kong is a great attraction... A fund manager's life is much more exciting than it was 15 years ago."

Ms Madeleine Hall, a European fund manager at Schroders, goes to the continent on business for a few days of intense meetings about once every month. Whether that is glamorous or not, she points out, depends on where and when she is going.

"If it is Switzerland in May, it may be glamorous; if it is Frankfurt in November, it's not!"

The second reason for the change in the type of people going into fund management is the increasing complexity of the job. Looking at the various sectors of British industry and making sure a portfolio is reasonably well diversified is a task that is becoming more and more difficult.

A third reason why fund management has taken on a higher profile, thinks Mr Jo Welman, a pension fund manager at Baring's, is that it has been a reliable source of earnings. This has been particularly important for banks, which have been keen to develop sources of fee income. "We are in no way anything like the poor relations we once used to be," says Mr Welman.

However, for every general rule, there are many exceptions. Mr Pakenham, for example, came to Foreign and Colonial some eight years ago from Amers Bank, where he was first the chief economist and then in charge of asset management.

He was head-hunted away to F&C three years ago. The main attraction to him was the chance to explore the services that the independent British manager could offer to the rich international private client. He felt that such clients needed what not bankers, but investment managers.

Ms Hall moved into Schroders' banking side in 1975, doing credit analysis and then investment analysis before finally moving into fund management in 1978. She thinks such a route is unusual and that, as a result of the Chinese walls being set up after Big Bang, it may become harder to move from banking to fund management.

Half a generation earlier, Mr Olivier took a not totally dissimilar route. He moved from Post Merwick, the accountants, to Hambros 25 years ago as a dealer. Soon afterwards, he became its first investment manager and was responsible for setting up its fund management operations in the Far East.

Mr Flight has had a career in three continents. Starting off with an MBA in the US, he came back to Britain in 1970 to work for N.M. Rothschild in pension fund management. He then spent a period working for Wardley, the merchant bank owned by the Hongkong and Shanghai Bank, and in 1979 went to Guinness Mahon to develop its offshore fund business.

A more typical route was probably that of Mr Welman. He moved straight from Exeter University to fund management at Baring's.

The route into fund management has reflected the change in the role that fund managers are expected to play. Mr Pakenham says the ideal recruit is somebody with a good first degree and two or three years at a stockbroker. Mr Olivier says Hambros also actively recruits and then trains them up. A few years in accountancy are also thought to be a good training for fund management.

Mr Howard Flight, a 38-year-old who runs Guinness Mahon's investment department, says many fund managers over the age of 40 "simply cannot adjust to the present world." He thinks many young people are better at doing the job.

Young people have been given more and more responsibility, Mr Olivier says it is not unusual for people who have been in the business for three years to be given the job of

running a portfolio—particularly international portfolios and unit trusts.

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ably weighted in each is no longer good enough.

Fund managers are expected to be numeric and an increasing number use computers. They are also expected to be familiar with the whole range of financial instruments, from back-to-back loans to options and futures, that can be used to maximise returns or hedge against risk. Those who look after foreign portfolios are increasingly expected to be able to speak the languages of the countries they look after.

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Hugo Dixon

Research

Outsiders relied on for advice

THE KIND of research organisation in which two people cover Japan and one (possibly only part-time) covers the US West Coast high-technology sector has to be taken with a pinch of salt. Add somebody in New York and a couple of analysts in London, and you have a worldwide network. Or do you?

Even within the national markets of the US and the UK it is comparatively rare for investment management businesses to conduct wide-ranging fundamental research. The economics are such that it cannot often be profitable to do so. There are some exceptions in specialist sectors, where stock market research may not be available, but these are fairly unusual cases.

So there is a reliance on external research, almost always provided by securities firms. This must be still more true on a global scale, where the costs are much higher in view of the travel required and the expensive international communications links which are needed.

The really big money is absorbed by research into individual stocks, which requires a great deal of company visiting and the building up of enormous databases.

Despite its cost, such research has been quite widely available in countries where commissions are fixed, because it is an effective way of competing on a non-price basis. An intriguing question for the London market at present is whether the volume of research will slump because direct price competition is now permitted.

securities houses which have a large enough business to be able to afford such an overhead. Besides producing written work, for which they hope to be remunerated by commissions from clients, such brokers' analysts can gain more responsibility. Mr Olivier says it is not unusual for people who have been in the business for three years to be given the job of

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Barry Riley

Accounting standards

Cross-border investment eludes national agencies

GLOBAL portfolio management calls for global research, and for the generation of international databases capable of throwing up valuation anomalies in the US or Japan or Italy.

Unfortunately, the quality of the financial information available is running a long way behind the needs of the worldwide investor.

Some countries, such as the US, have their own rigorous standard-setting processes for company accounting. But these standards may sometimes be in sharp conflict with the principles used in other countries; and many other countries, by no means all of them economically undeveloped, have no consistently applied accounting standards at all.

To some extent, securities agencies in stock markets are in a position to impose a degree of uniformity. Foreign companies listing in the US, for instance, are required by the Securities and Exchange Commission to file statements detailing the extent of the departure of their account from US generally accepted accounting principles.

But the surge in cross-border investment is taking investors well beyond the reach of national agencies such as the SEC. For pioneering investors seeking to arbitrage between widely different valuation bases in different markets the fine details of company reporting may not matter too much. But if there is to be an efficient global market in equities, based on systematic analysis rather than speculation, the quality and comparability of financial information around the world must be improved.

Since 1973 a specialised body, the International Accounting Standards Committee, has been working steadily to improve the comparability of accounts worldwide. In doing so it has recognised the needs of various user groups. Until recently, however, the IASC has been composed only of representatives of national accounting bodies.

But in January this year the investment community became directly represented on the board of the IASC through the admission of the first non-accounting organisation, the International Coordinating Committee of Financial Analysts' Associations.

ICCFAA has nominated two representatives, Mr Paul Aron, chief executive of Daiwa Securities America, and Mr David Damant of the London stockbrokers Quilter Goodison.

According to Mr Damant: "We need to represent the views of users in the discussions. We have a different perspective as users rather than as auditors or preparers."

He argues that investment analysts have been under-represented in standard-setting discussions in the past, although he admits that this is often because relatively few expert analysts have shown much direct interest in the process of preparation of accounts.

Mr David Cairns, secretary-general of the IASC, believes

If there is to be an efficient global market in equities, the quality and comparability of financial information must be improved

the analysts will have an important impact on international standardisation. "The fact that we now have a represented group which is an out-and-out user is a help. It focuses our minds on the important issues," he says.

The IASC also derives some valuable input from the International Federation of Stock Exchanges. This is a member of the consultative group which regularly meets the IASC board and provides comment on proposed standards.

Twenty-six international accounting standards are now in existence and there is a regular programme for the development of new standards and the revision of existing ones. One major current project, for instance, concerns disclosures in the financial statements of banks.

But the IASC has never been in a position to impose rigid standards and is never likely to be. It has to recognise national differences and its standards quite often permit alternative approaches (while ruling out others, however).

According to Mr David Damant the objective is shifting

slightly. "The old word was standardisation. The new word is harmonisation," he says, adding that the aim is to achieve comparability with the aid of a certain amount of adjustment.

In this he may be reflecting the views of expert users who regard financial statements as the source of analytical material rather than as end-products in themselves. But accountants have always preferred to produce single profit figures rather than multiple-choice documents, perhaps because they also want to serve less sophisticated users.

The IASC has faced several basic battles over the years. One is the conflict between commercial and tax-based depreciation, with several European countries, notably West Germany, as the main protagonists.

In Japan there have been difficulties over consolidation and over asset valuation, though the pull of listings in the US has caused some shifts in practice and at least one Japanese company, Sasebo, now formally complies with international standards.

Ironically there is only one US company, General Electric, doing this same — but this is because compliance with international standards is implicit rather than explicit in the US.

Within national markets it is probably not terribly important whether companies specifically comply with international standards. There is much talk, however, of the development of a global market in international grade equities and at this level a high quality of financial reporting is necessary.

But companies will need a reason for exceeding the requirements of national company laws. Greater uniformity of company accounting is likely to be much more rapidly achieved when companies have a significant incentive — in terms of easier and cheaper access to the capital market.

To that extent the internationalisation of portfolio management will have a considerable impact on major companies around the world, but it will take time for comparability to be achieved. Meanwhile, fund managers and analysts will need to tread very carefully.

Barry Riley



Mr David Damant (left), one of the ICCFAA's two representatives; and Mr David Cairns, secretary-general of the International Accounting Standards Committee.

Administrative obstacles

Computers don't hold all the answers

THE ITALIAN bargains that get lost in a never-ending settlements tangle, the French tax repayments that take three years to come through, the Japanese new issues that are not physically delivered for six months... These are just some of the potential snares for the international fund manager.

A common problem is that international fund managers spot an opportunity in a small, national market and all attempt to move in at once. This creates a sudden boom with which existing settlement systems are incapable of coping, leading to long delays and sometimes even temporary shutdowns of the markets.

Examples are Sweden a few years ago and Italy much more recently. Although the Italians have taken action to improve settlement capacity, the delays have remained serious enough, for example, to cast a shadow over Deutsche Bank's recent giant international placing of the Libyan Government's stake in Fiat.

According to Dong Reeve, it is important to be able to arrange on-the-spot services by finding the most effective sub-custodians in each market place. In Citicorp's case these will sometimes be local branches of the bank, but could often be other banks depending on the particular circumstances.

running old systems which will only cope with a UK-type portfolio. As a result, the core administration system will only cope with a small proportion of the services that are needed," he says. "The systems are creating, to complete, UK managers are going to require much more automation."

Mr Gray thinks, in fact, that internationalisation is having a far greater impact than the Big Bang changes of the London Stock Exchange on the way that fund managers run their businesses.

Tax brings its own problems for the international investor. Many countries impose withholding tax on company dividends, for example, at a variety of rates and according to a variety of conditions.

In principle, these deductions can often be reclaimed under double taxation agreements between different countries, but it is necessary to be familiar with the bureaucratic procedure and know how to fill in the right form. Even then it may sometimes be necessary to argue with the local tax authorities.

One London manager, for example, tells of how the French tax authorities tried to resist a claim for a tax refund on behalf of a US pension fund on the somewhat obscure grounds that, since the fund was not liable for tax in the US, it had borne single, not double, tax in France and did not qualify for a refund.

The point was eventually conceded by the French, but such disputes can eat up vast amounts of fund managers' time if they are allowed to.

Clearly, accumulated expertise in this area is immensely valuable, especially if it can result in avoiding the deduction of tax in the first place. Once the money has disappeared into the coffers of the tax authorities, it can take anything up to three years to regain it.

Tax and settlement are unappealing subjects, but they have to be given a high priority by fund managers operating in the global market. There is a risk that the much more glamorous front-end systems, involving trading and information retrieval, will gain too large a share of attention, with potentially disastrous consequences.

Terry Gray has a particular warning for the smaller operators who have relied in the past on muddling through. "The smaller fund management companies are not used to spending large sums on administering portfolios," he says. "But in the increasingly competitive business of international fund management, cutting corners will have increasingly serious consequences."

Barry Riley

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FINANCIAL TIMES SURVEY

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THE GRAND DUCHY OF Luxembourg

The European Community's alternative capital is thriving as a centre for both international banking and the EEC. Yet it is a small country bordered by influential neighbours and must struggle to make its voice heard.

A MAJOR centre for "offshore" banking, the EEC's alternative "capital", an exotic tourist trap...

husbandry in the past and (for the moment at least) some easing of financial pressures on the heavily state supported steel industry...

provisions—enabling lending institutions to eliminate taxable profit—is a prime reason why foreign banks flooded in during the late 1960s and 1970s...

Perhaps because of this, it appears from the outside to have more than its fair share of contradictions and inconsistencies.

Economic management, of course, is far easier in a small country than a large one.

Luxembourg's ability to handle the harshness of recent economic change—in which the growth of the banking and financial services sector has played a key part—is undeniably impressive.

While rightly renowned for political and economic stability, four fifths of Gross National Product (GNP) is based on external trade.

On the industrial side of the economy, the traumatic rationalisation of the Arbed steel works has been eased by

an unusual degree of consensus between management, unions and politicians as to the nature and the conditions of change.

The country's sophisticated and increasingly outward-looking banking and financial services sector belie a quiet provincial and relatively unspoilt way of life.

And, finally, its deeply Catholic, conservative and quintessentially middle-class people are governed by a coalition which includes the Socialist Workers' Party presided over by a Grand Duke who is more a spiritual than a constitutional ruler.

At the end of June this year there were 213 Luxembourg investment funds—compared with under 100 at the end of 1983—though most of the investment management decisions are taken elsewhere.

Luxembourg has one of the highest, if not the highest, per capita incomes in the Community and is currently emerging from the recession of the early 1980's in an enviable sound economic and financial health.

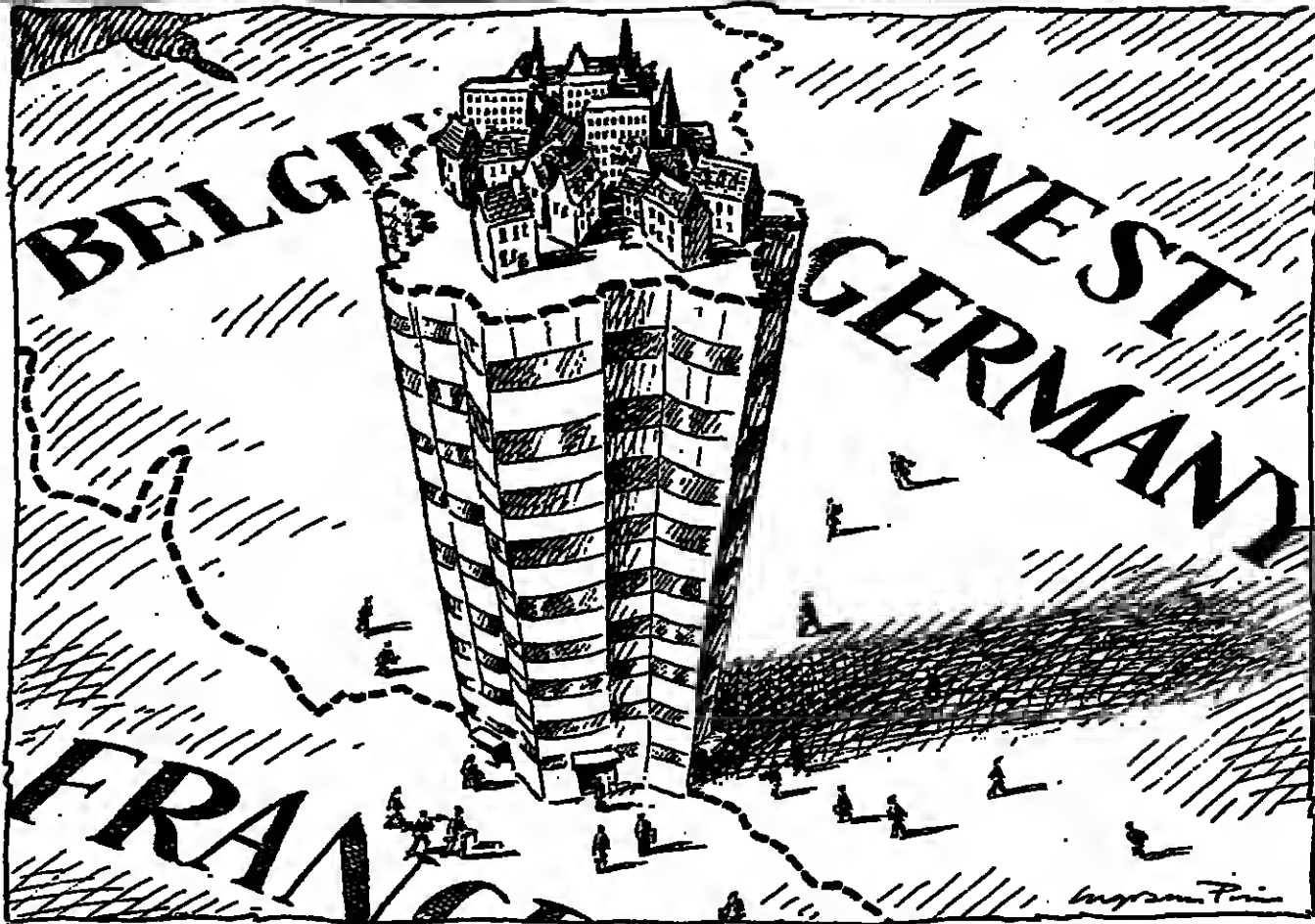
On the other hand, the Luxembourg monetary authorities' generous attitude to "bad" debt

people and ex-patriates alike will only uncomfortably admit, Luxembourg's economy reaps the benefit of blatant tax evasion by foreign investors.

Most of the indicators are pointing the right way—unemployment is just over 1 per cent and falling, inflation is virtually zero, GDP is close to the EEC average, and thanks to can-

As seen from the Grand Duchy, what individuals or companies care to do with their money—or how they wish to account to their tax authorities—is their own affair.

At the end of June this year there were 213 Luxembourg investment funds—compared with under 100 at the end of 1983—though most of the investment management decisions are taken elsewhere.



the most vulnerable. On the other hand, it has been said that had its politicians pushed a little harder in the 1950s it might have ended up with the headquarters of the European Commission and hence become an even more prominent headquarters of European affairs.

This instinct undoubtedly explains the strong feelings stoked up in the Grand Duchy by the French nuclear power station at Cattenom, whose four giant cooling towers dominate the country's south eastern corner from the far side of the Moselle.

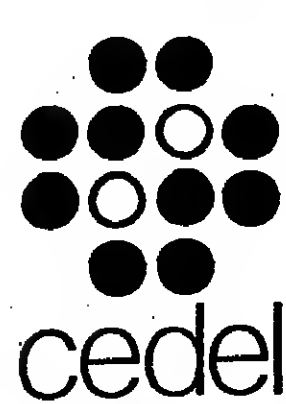
Luxembourg's current campaign against the plant—given new intensity by the Chernobyl disaster—seems motivated not so much by the ultimate threat as by the lack of local control over a process that directly affects its environment and its people's lives.

In a different context, the cultural threat from outside can be detected in Luxembourg's determination to cling to their own language, a dialect ultimately derived from German but sufficiently different to defeat most foreigners.

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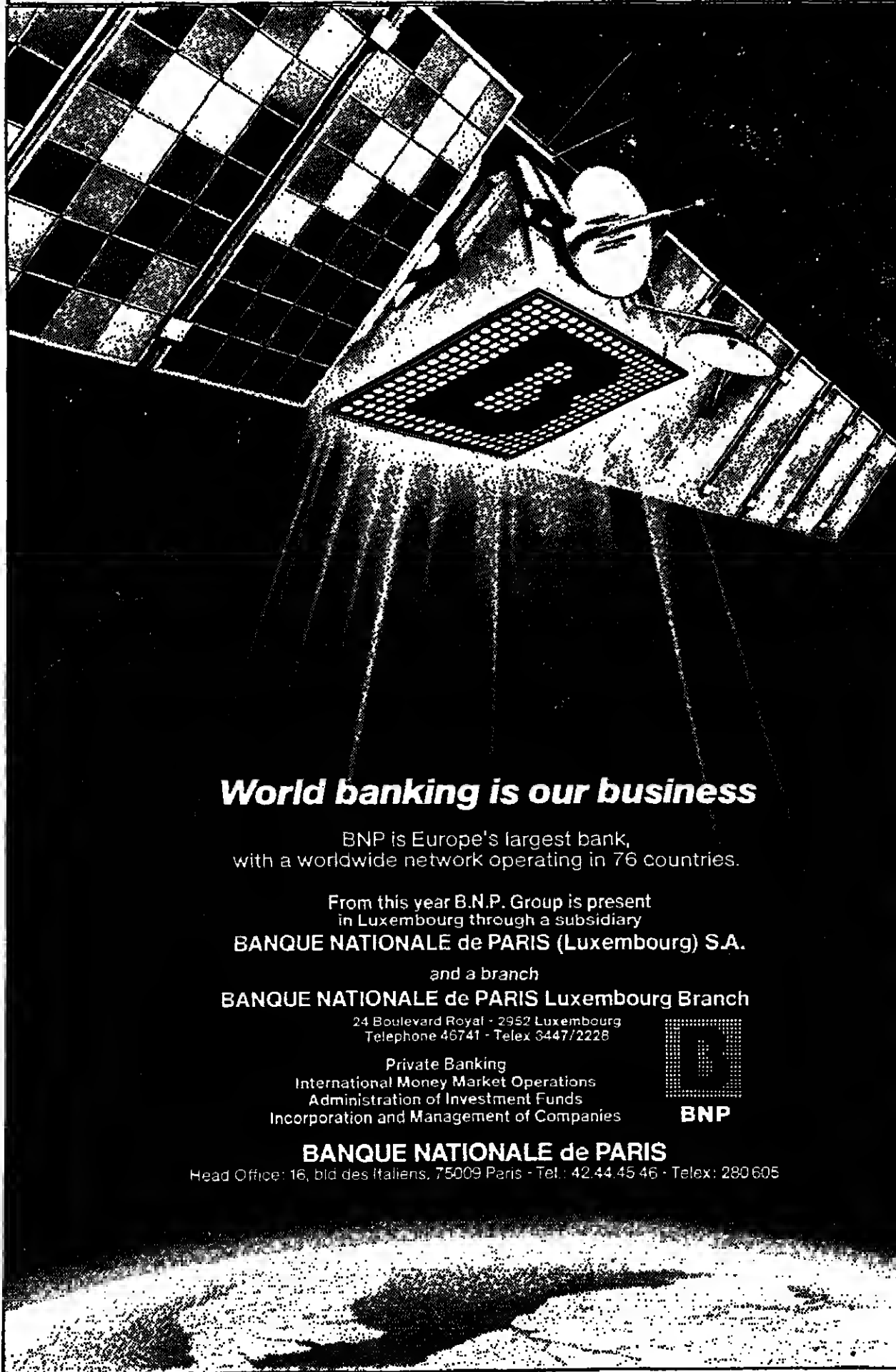
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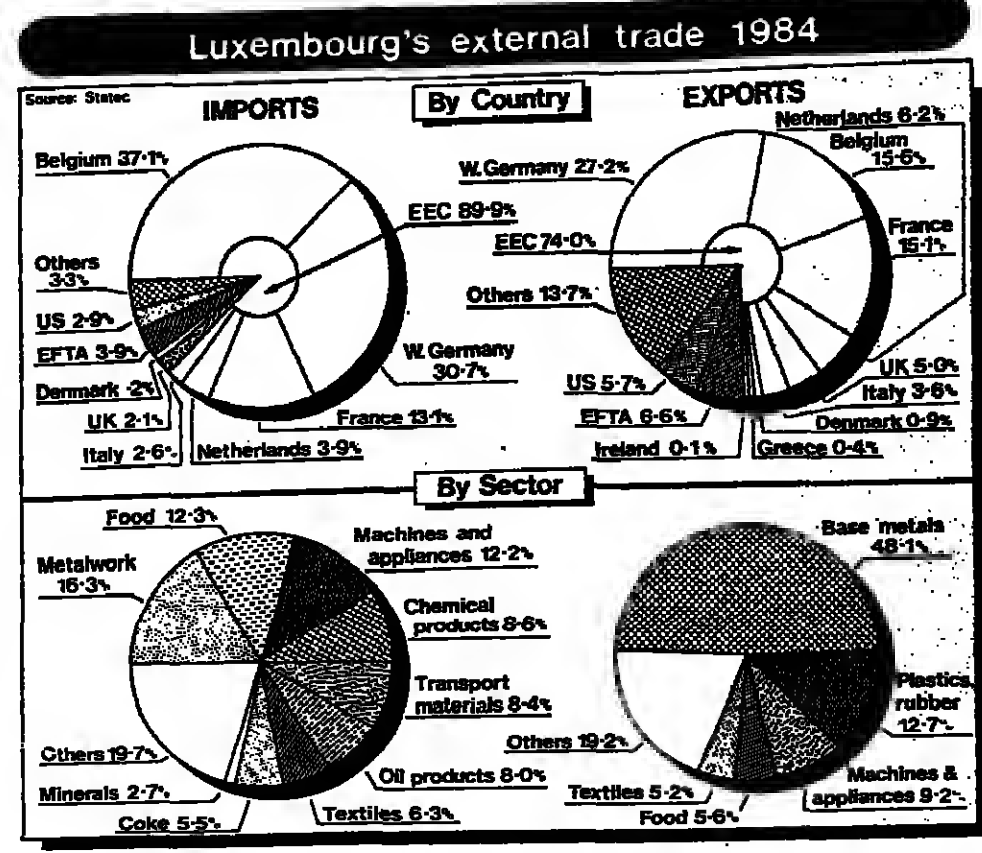
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The Grand Duchy's central location, its relatively small bureaucracy and its multilingual labour force (secretaries, for example, can type in three languages) are nevertheless assets which have helped attract 60-70 small to medium sized companies since 1977 and led to the creation of some 5,000 jobs in the process. Despite unemployment of just 1,200 at the moment, it is significant that new job advertisements often pull in as many as 10 applications—a reflection of the fact that many people commute to jobs in Luxembourg areas of high unemployment just beyond the Grand Duchy's borders.

As the table shows, the position of industry excluding the steel sector has remained fairly steady over the years measured in terms of contribution to GDP and employment. Steel, on the other hand, now represents only 11.2 per cent of GDP and less than 9 per cent of the workforce compared with more than 27 per cent and nearly 17 per cent respectively in 1970. Services and trades, particularly banks and insurance companies have moved in to take up the slack.

This fundamental transformation has been achieved over the last 10 to 15 years with little noticeable effect on overall growth which by any definition of GDP has been at or above average EEC levels. On the basis of the internationally accepted definition (which Luxembourg claim understates the true position because it ignores part of the contribution of the banking sector), this increased at an average 3 per cent per annum between 1970, 1980 and 2.1 per cent between 1980 and 1983. Growth jumped sharply in 1984 as steel bounced back from the recession, but the rate of expansion has since been less dramatic with last year's GDP growth of 2.2 per cent likely to be more or less repeated in 1986 and an increase of 2.8 per cent officially forecast for 1987.

The latest analysis suggests that the rate of increase of industrial output during 1986 is slowing down a little after the previous two years. In the first three months of this year, according to figures from States, the Government statistical service, industrial production rose by 5.3 per cent in volume terms by comparison with the equivalent period of 1985, against a 6.9 per cent increase during the whole of 1985 and a 14 per cent jump in 1984.

Steel exports and production have been notably less buoyant with weak market prices compounding the difficulties. Industries other than steel, on the other hand, recorded a 5.7 per cent increase in the first three months of the year, with non-ferrous metals, chemicals and synthetic fibres particularly strong.

Banks are likely to turn in results in 1986 as steel bounced comparison with their healthy 1985 figures, the construction industry finally seems to be experiencing a cyclical upswing on the back of expansion in services, while tourism receipts advance slowly but steadily.

Unemployment, which had crept up in the early 1980s as the steel sector shed more jobs, is on the way back down again and looks set to fall from 1.7 per cent to 1.3 per cent of the working population by the end of this year. The weak oil price this year has kept inflation in check and thanks to the activities of the bank's "invisible" earnings the Grand Duchy's negative trade balance is transformed into a healthy current account surplus estimated by the OECD at some LFr55bn in between one quarter and one third of GDP.

Another trend is the continuing rise this year in domestic demand as the higher real disposable household incomes feed through into higher private consumption. There are signs that wage costs may accelerate a little next year, though Luxembourg's recent record of reducing real wage costs is good by EEC standards.

Tim Dickson

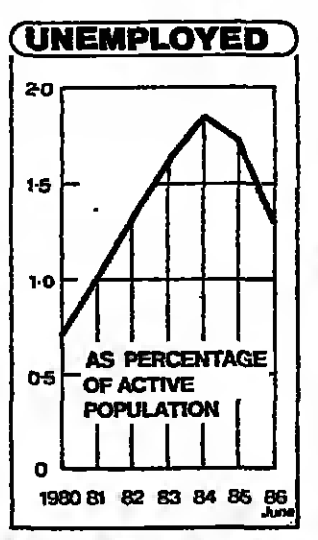
Economy Sense of satisfaction

WITH VIRTUALLY zero inflation, minimal unemployment and growth rates at least as good as the Western European average, Luxembourg enjoys the sort of economic advantages which largely continue to elude her EEC partners.

The country's recent performance earned high marks from no less an authority than the OECD, which observed in a report published this summer that "in many respects the economic situation in Luxembourg appears to be among the most favourable in the OECD (area)".

Local commentators are sometimes more lyrical. Mr Jhny Lahure, the Grand Duchy's Secretary of State for the Economy, reminded his audience at the opening of a trade fair last month that Luxembourg has been compared to a land "flowing with milk and honey"—a description which more cautious politicians admittedly might eschew but which sums up the sense of satisfaction at the way things are going.

To be fair, though, there is little complacency in the Government or elsewhere that the Grand Duchy is automatically assured of a rosy future. Indeed Mr Lahure himself went on to emphasise in his recent speech that the country's development should be seen in a wider context than Luxembourg itself—a reference presumably to the fact that, much more so than its



neighbours, it is dependent on factors beyond its control. Besides the obvious influences of the level of the dollar and the price of oil, Luxembourg relies particularly heavily on West Germany, France and Belgium not only as destinations for its exports but as sources for its imports and raw materials. The increasingly important banking sector may be prosperous at present, but as a truly international business is always vulnerable to sudden outflows of funds. The fragile recovery of steel, once the mainstay of the Luxembourg eco-

nomy, could be (indeed is being) threatened by moves towards further market liberalisation inspired by the European Commission in Brussels.

As a result the Government continues to encourage more diversification in the economy with a policy of giving support to established companies which wish to expand, and of trying to entice internationally mobile high technology industries to the Grand Duchy.

According to Mr Raymond Kirsch, Director of the Treasury and chairman of Luxembourg's Societe Nationale de Credit et d'Investissement (SNCI), this process started in the early 1980s in response to the sudden demise of the local coal mines but it is only since 1977—the year SNCI was formed and the year he believes people finally accepted that the steel crisis was not just a temporary phenomenon—that the challenge became urgent. Today, he says, with 20m tonnes of new and steel depressing Community markets in the short term and the clear prospect of the exhaustion of Arbed's cheap supplies of coal and iron ore from neighbouring France and West Germany posing a longer term threat, the search for new industries is as important as ever.

Luxembourg's financial package of subsidies, state credit, and tax breaks offers little that more depressed regions in Europe cannot match or indeed top, particularly when large new multinational projects are seeking a base.

Inflation—year on year rise in consumer prices

	1980	1981	1982	1983	1984	1985	1986
Jan.	5.7	7.3	8.7	10.2	7.4	3.8	3.6
Feb.	6.0	7.0	9.1	9.5	7.8	3.7	2.6
March	6.3	7.4	8.4	9.5	7.5	3.9	1.5
April	6.6	7.4	8.1	9.5	7.8	4.4	0.5
May	6.7	7.6	8.7	8.6	7.7	4.2	0.4
June	6.4	8.4	8.9	7.6	6.7	4.4	0.1
July	6.4	8.4	8.4	8.1	8.4	4.7	(-0.4)
Aug.	6.4	8.5	9.7	8.3	4.9	4.0	—
Sept.	5.9	9.4	9.5	8.6	3.9	3.9	—
Oct.	6.0	8.8	10.4	8.4	3.6	4.0	—
Nov.	6.3	8.5	10.8	7.9	3.2	4.0	—
Dec.	7.0	8.0	10.4	8.0	2.3	4.1	—

Source: States.

Main activities as a percentage of GDP

	(Current prices, July 1986)			
	1970	1975	1980	1985
Agriculture	3.7	3.1	2.4	2.3
Industry	42.9	27.0	26.4	27.2
(Steel)	27.1	11.2	11.3	11.2
(Others)	15.8	15.8	15.1	16.0
Construction	6.1	7.7	6.9	4.7
Marketable services	33.5	43.2	42.9	45.3
Banks and insurance companies	4.6	11.8	8.8	15.5
Public administration	7.8	10.3	11.8	10.3

Source: States.

Steel production (Tonnes m)

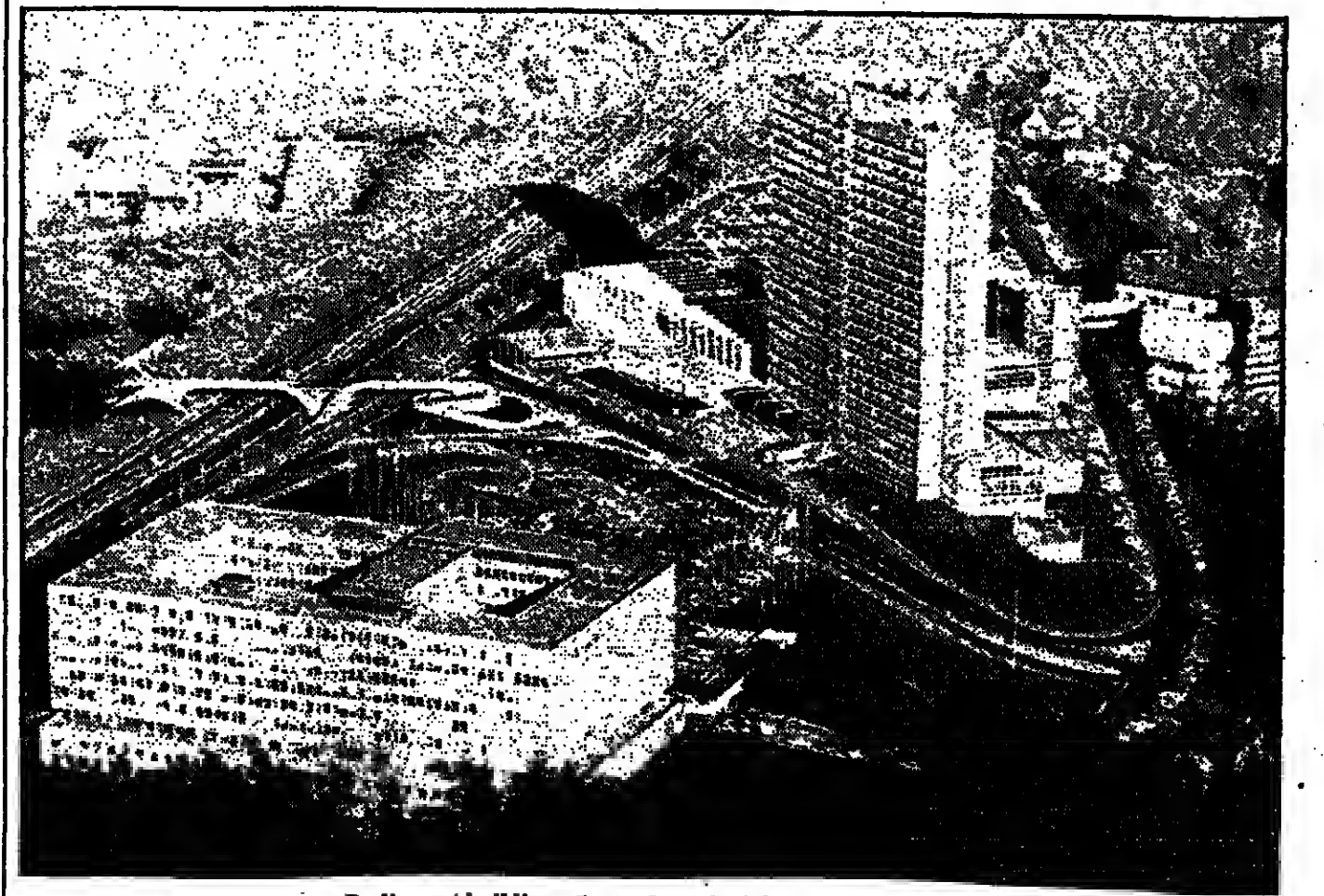
Year	Production
1979	4.95
1980	4.62
1981	3.79
1982	3.51
1983	3.29
1984	3.99
1985	3.95
1986	—
1st half	1.97

Source: States.

Annual rise in GDP

Year	(1980 prices)
1979	3.0
1980	1.4
1981	-1.0
1982	1.5
1983	3.2
1984	5.4
1985	2.2
1986	2.4*
1987	2.6*

*Estimates. Source: States.



The European Parliament buildings. Luxembourg's status as an EEC capital enhances its position at Europe's cultural crossroads.

J.P. 11/19/86

Banking

Big contributor to GNP

ARRIVE AT any of Luxembourg's longer-established local banks on a Belgian public holiday and the chances are you will jostle with a crush of customers. Most of them will be speaking Flemish, or French with a strange (i.e. Brussels) accent.

These are the so-called "Belgian dentists"—the tag for individuals from Luxembourg's western neighbour who slip across the border on "days off" to pay in their spare funds or take out their loose cash under the cloak of the Grand Duchy's banking secrecy.

They have, of course, long been a familiar feature of the local banking scene—but in the last three to four years a significant change in their composition has been taking place. As one commentator notes: "Increasingly the visitors are neither Belgian nor teeth extractors."

For all the talk of boosting "off balance sheet" activities, for example, fee income still accounts for only a relatively small proportion of earnings.

The change of emphasis from the straightforward "bookings" of loans to providing fully-fledged services for personal customers, demands a new type of skill and experience which is not acquired overnight, and stiff international competition from other banking centres is inevitably putting new pressure on the Government to enhance further the attractions of Luxembourg as a banking centre.

The banks' importance to the Luxembourg economy is well illustrated not just by their contribution to the budget and the rising level of employment—11,000 or 6.8 per cent of the total labour force at the last count—but by the ratio between gross national product and the banks' total assets. In Luxembourg the ratio is 1:30, whereas in most industrialised countries it is just 1:2.

The point is that Luxembourg's banking and financial sector—the single most important contributor to GDP since

the demise of steel—is itself in the middle of an important transformation as private banking and investment management take over from traditional wholesale lending as the major sources of new growth.

By all accounts they are proving profitable niches, if for no other reason than that the market for such services is rapidly expanding.

Customers who want professional money management used to be the upper 10,000, but they are now the upper 10m in Europe," according to Mr Pierre Jaans, director of the Luxembourg Monetary Institute.

While the industry is undoubtedly high that the latest strategic switch can help banks sustain their current record profit levels, and while commitment to the Grand Duchy by local management at any rate seems to be strong, important questions remain unanswered and nagging doubts about the future persist.

Competition—notably the liberalisation of banking regulations in centres like the UK, West Germany and Japan to encourage the greater use of "on shore" locations—has been one threat to Luxembourg's traditional role in the Eurobond market. The Grand Duchy's share of Euromarket business has dropped from a peak of more than 12 per cent of the dollar total in 1979 to about 9 to 9½ per cent today.

Wholesale business has also suffered severely from the sharp drop in syndicated loan activity following the problems with developing country debt at the start of the 1980s, and the lower borrowing requirements of many industrial companies which emerged leaner and more liquid from the recession.

The steep rise in the issue of securitised debt has compensated somewhat but the centre of this market is London and much of the issuing, placing and trading of Euro-paper bypasses Luxembourg.

In spite of all the changes

Luxembourg's banking profitability is healthy, with last year's operating results for the sector of LuxFr 83bn (up from LuxFr 67.5bn in 1984) likely to be repeated in the 12 months to December.

A significant feature of the Grand Duchy—and one of its key fiscal attractions from the point of view of operators there—is the generous level of bad debt provision allowed by the authorities before banks actually strike their taxable profits.

Some subsidiaries (notably of the German banks) declared zero profits in past years but this practice has now been discontinued as the scope for making sizeable provisions becomes less and (according to one official) local subsidiaries increasingly wish to make a visible contribution to their group results.

Not profit after provisions but before tax climbed steeply from LuxFr 20.3bn in 1984 to LuxFr 27.8bn last year—a trend which is likely to continue but which will not necessarily be accompanied by a commensurate improvement in the bank's underlying performance.

As higher profits are declared, bankers will no doubt hope that the Government will further reduce the level of corporation tax, currently 40 per cent but due under current budget proposals to come down to 36 per cent in two stages over the next two years (the effective rate will actually be some three points above that).

Critics note that this level will still be higher than the UK's 35 per cent, though they accept that the Conservative/Socialist coalition partners are politically constrained from moving more quickly at the moment.

This year's budget also proposes the abolition of a tax on aggregate salaries and various stamp duties, and the reduction of a local profits tax.

Mr Ole Roed, managing director of Bergen Bank and a spokesman for the Luxembourg

Association des Banques et Banquiers (ABBL), pays tribute to the "positive attitude" of the Government to the banking sector and adds that this year's Budget is "a step in the right direction." He would clearly like other changes, however.

Besides further cuts in corporation tax Mr Roed cites total abolition of a tax on bank capital, better and more numerous double taxation treaties (the absence of which he says is driving certain business away) and a lowering of personal income tax for key foreign workers. The Government has agreed in principle to this last point but the ABBL remains unhappy with some of the detail.

In the end, the financial institutions will have to prove themselves that they can rise to the new challenge of private banking. Some pertinent questions about this new orientation are posed by Mr Volker Burghagen of Dresdner Bank and a man whose 12 years in Luxembourg has given him direct experience of private customer business. Mr Burghagen cautions that many of those embracing this business for the first time "will find a totally new sort of activity."

"They need staff and experience since Luxembourg has no real reputation as a major financial centre for private investors. The customers they attract will therefore need to be convinced and the banks which manage their assets will have to invest time and money in both new people and new operational systems."

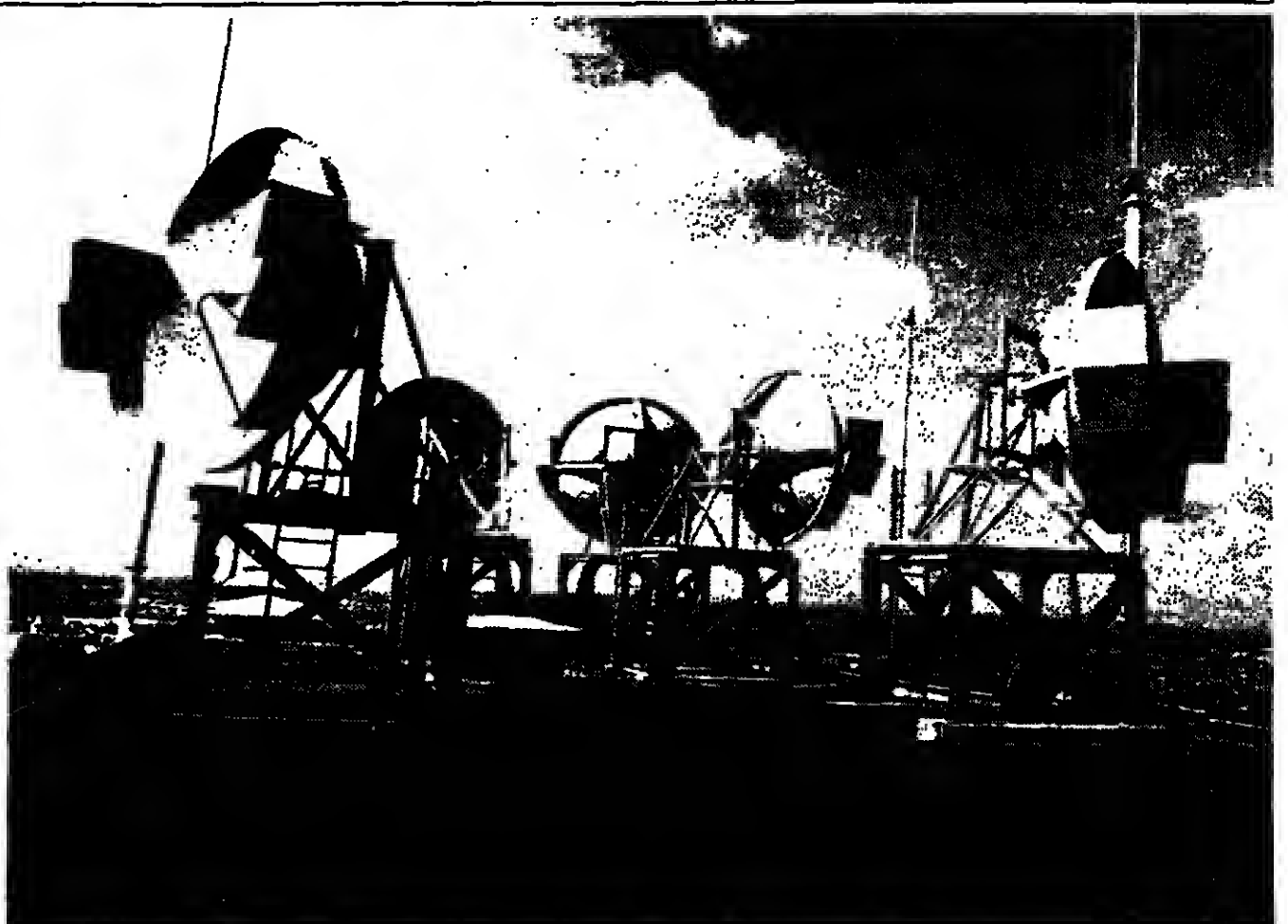
"Some banks I know are already having problems. They jumped on a train that is going pretty fast and they found that they didn't have the infrastructure."

Markets, he adds, have generally been healthy in the last two to three years. Now, he wonders, will the market cope when things get rough in a bear market?

Tim Dickson



Part of the banking quarter. Stiff international competition is forcing Luxembourg to increase its appeal



Directional radio installation at Luxembourg-Kirchberg

Politics

Coalition maintains the consensus

THE IDEA of a coalition between Conservatives and Socialists would be inconceivable in, say, a country like Britain. But the fact that Luxembourg's Christian Social Party and the Socialist Workers' Party produced a common programme after the last elections in June 1984 and have managed to work together ever since is evidence of the unusual political consensus in the Grand Duchy.

Luxembourg's two key political figures are Mr Jacques Santer, the 46-year-old Prime Minister and Finance Minister and his Socialist vice premier, Minister of the Economy and Foreign Minister, Mr Jacques Poos, who is 51.

Critics claim that there are potentially serious areas of conflict between the two camps but the strong impression gained from talking to the two men is that the interests of Luxembourg are well ahead of narrow party political differences.

Here are some of Mr Santer's views:

On Luxembourg's people: "We are a middle class people, far better and for worse."

On Luxembourg's influence: "It is an historical one. We are at the heart of Europe but we have no political ambitions, except to serve the European Community. We are at the crossroads of two cultures—the French and the German—and it has been the task of our politicians like Robert Schumann and Gaston Thorn to find compromise solutions to their problems."

On the threat from the French Castejon nuclear plant: "We



Jacques Poos



Jacques Santer

hope that the European Commission will take initiatives at Community level. We are no more powerless than any other country which is unable to stop an action of its neighbours."

On the "Luxembourg" vote: "For me this and the elting of national interests is unacceptable. I am hopeful that the majority voting which follows the introduction of the Single European Act will help the EEC to reach its goals by 1992."

On Luxembourg's high immigrant population: "There are no problems, they have integrated very well."

On the economy: "We are now in a period where we have to try to consolidate our industrial situation. After the steel crisis we are becoming more of a service economy but we have to maintain an industrial sector. That is why we are so keen to attract companies from abroad."

"We also want to become an important centre for broadcasting and telecommunications."

On education: "Luxembourg has a tradition of coalition governments. They are always changing but there is no polarisation among the people, just different sensitivities and different programmes. There is no tension in the coalition on any issue."

On the highest priority: "This is not just the result of the banks' contribution. Our predecessors were cautious during the worst of the steel crisis."

Here are some views of Mr Poos:

On the banks: "The Socialist Party in Luxembourg is aware that the sector gives employment to 6.8 per cent of the working population and that it must be fully encouraged by the authorities. We feel that a private person within certain limits should have the right to do what he wants with his money."

"We hope the banking sector will continue to grow but we want a strong industrial and agricultural sector too. Insurance, reinsurance and broadcasting are significant areas of service sector activity."

On relations with South Africa: "We have not followed the Netherlands and Denmark in pushing for more than the current EEC sanctions package. We will implement fully the decision to bank Kruggerands and new investment."

On education: "We do not intend to found a Luxembourg university. We are aware of the advantages of foreign students to go abroad and we wouldn't be able to attract the cream of the professionals."

Tim Dickson

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Europe's alternative capital

IN LUXEMBOURG they call it "la politique du siège"—the battle they have fought since the founding of the European Communities to ensure that the Grand Duchy remains the alternative capital of Europe.

A fair number of the local population has doubts about it. Many people feel somewhat swamped by the invasion of foreigners coming to run the European institutions, in addition to the international bankers, and thousands of Italian and Portuguese immigrants in the service industries.

At official level, however, it is a policy defended with jealousy and dedication, the one issue on which little Luxembourg might actually be tempted to use its veto in the EEC Council of Ministers.

The result is an ever-growing cluster of office blocks out on the Kirchberg plateau on the edge of town, linked by a manic system of one-way roads apparently designed to baffle all but the most intrepid.

The biggest employers are the European Commission itself, and the European Parliament, the Community institution which finds itself split three ways by the geographical rivalries of the member states.

The Parliament secretariat is based in Luxembourg, although its regular committee meetings and most of the party political staff are in Brussels, and its monthly plenary sessions are held in Strasbourg.

The joint determination of Strasbourg and Luxembourg to keep a share of the Parliament's cake has so far scotched all efforts by its members to move lock, stock and barrel to Brussels.

As for the Commission, it keeps a curious assortment of its departments there: the translation services, publications and statistics, half its high technology wizards, a stable of personnel, and more logically, its investment and loans division.

The semi-independent institutions have a higher profile—the European Investment Bank, boasting the largest banking business in the Duchy, the European Court of Justice bringing a steady stream of international lawyers to its doors, and the most junior institution of all, the Court of Auditors, keeping its wary eye on all the rest.

As for the Council of Ministers, the decision-making body of the member states, it simply packs its bags and comes down the road from Brussels for meetings three months of the year, in April, June and October.

For most of the participants, Eurocrats, diplomats, interpreters and mere scribes, it is a long and weary road, marked by late night journeys.

For Luxembourg it is a major diplomatic gesture—a regular pilgrimage which puts the Grand Duchy firmly on the European map, and no doubt a useful source of revenue from those who take advantage of the low rates of VAT to stock their cellars and cigarette boxes.

Quentin Peel

Court of Auditors

Asking some leading questions

THERE ARE mixed feelings in the European Court of Auditors about the benefits of being based in Luxembourg.

On the face of it, this most junior of EEC institutions fits exactly the categories of those which are supposed to be sited there—it is both a legal and a financial institution.

There are those in its ranks, however, who believe that its job of being financial watchdog over EEC spending would be very much easier if the staff were more closely in touch with events in Brussels, where most spending decisions are taken.

Mr Marcel Mart, the Court's current president and himself a distinguished Luxembourg, has no such doubts.

On the one hand, he believes it gives the Court, just nine years in existence, a necessary independence from the Brussels machine. On the other, he maintains that much the greater part of the audit job is actually carried out in the member states, where the spending is done.

Whatever the merits of that debate—and the Court's home in Luxembourg is still only "provisional"—it is an institution which has already succeeded in creating its own profile.

On key issues of Community policy—the accumulation of surplus food stocks, dispensing of food aid to the Third World, the use of EEC funds for social and regional spending, and the contrasting efficiency of tax collection between the member states—the Court of Auditors has asked leading questions and ventured criticism which has launched a genuine political debate.

Set up by the Treaty of Brussels in 1975, with its first members appointed in 1977, the Court still reflects a divided tradition of public audit in the Community. As such, its role is still somewhat schizophrenic.

Some of the Court's work reflects the "southern" tradition which simply asks if money has been spent legally and correctly, and gives little more than a rubber stamp to the EEC budget.

Other investigations it has launched have questioned the "sound financial management" of projects in the tradition of more northern European countries such as the UK and West Germany.

"We must consider the legality, regularity and sound financial management of spending, but it has been left to the Court to define what we mean by these three things," Mr Mart says. "We still haven't agreed any common definition."

In spite of that rather profound theoretical division, the Court has simply got on with its job. The only question is which areas of spending are tackled in which way—and it depends on the member of the Court responsible.

Every year the Court produces one substantial piece of work—its annual report on the previous year's EEC budget—and a variety of special reports either at its own inspiration, or the request of other institutions like the European Parliament.

Its report comes out just before Christmas, which sometimes means it becomes lost in the pre-Christmas rush of EEC activity, as the European Commission and the Council of Ministers desperately try to reach the decisions they have postponed throughout the year.

In spite of that, the annual report has managed, often by dint of annual repetition, to focus attention on key issues.

Mr Mart read the Riot Act to the Ministers of Finance from the 12 member states earlier this year, when he told them that if they were running a private company, he would have no option but to declare them bankrupt.

At issue was the gross under-estimation of outstanding Community spending commitments. On the one hand, the Ministers had consistently failed to make any provision for the depreciation of their burgeoning stocks of deteriorating food. On the other, they had allowed a build up of promised spending on social and regional programmes to run far ahead of the actual cash available.

That so-called "burden of the past" has finally been taken into account thanks to the arrival in the Commission of Mr Henning Christophersen, former Danish Finance Minister, as Budget Commissioner. Not even his efforts to get the member states to make adequate provisions have left a huge overhang to be dealt with in the future.

Mr Mart estimates the "gap" in the EEC budget now as, approaching Ecu20bn—when the total budget comes to some Ecu36bn.

As a dedicated "European"—he was a journalist covering the EEC at the start of his career, then a spokesman for the Commission in Brussels in the Luxembourg government, and finally a member of the Court of Auditors—he feels frustrated that his powers are limited to the budget.

By focusing too much on actual spending, and not enough on the aspects of the EEC which have no obvious price, like removing national barriers to the Common Market, he believes the Community gets a bad name.

Nonetheless, he recognises that any effort to ensure that spending is not only done but seen to be well done can only improve the standing of Brussels, Luxembourg, and their European institutions.

"The Court has been defined as the financial conscience of the Community," Mr Mart says. "We have several things we can be proud of. We were the first to tell the council there were a number of corpses in the cellar—and the cost of disposing of them is now about Ecu3bn. We have warned there was a permanent state of financial crisis since 1980.

"We are simply filling one hole by digging another. It is an artificial exercise in the budget, and everyone knows it."

Quentin Peel

Steel production

Slow recovery from recession

ARBED, Europe's fourth largest steel producer, is making a slow and painful recovery from the toughest recession in its history.

But the turnaround is at best a tentative one, for round the corner lurks a new threat in the shape of European Commission proposals for a second round of steel production quota liberalisations, to follow last year's first phase of dismantling the EEC's steel crisis plan.

Like many other convalescent steel giants in Europe, Arbed fears that looser EEC controls will hit prices hard just as it stands on the brink of better health.

"The market has changed since the Commission made its decisions over quotas," complains Mr Georges Faber, Arbed's president, who has been busy preparing counter-proposals with Eurofer, the European steel producers' association, to put to the EEC.

"This company has already reduced its capacity by 25 per cent from 6.4m tonnes over the past 10 years. We think that perhaps we have done enough. I can promise a very tough discussion on this," he says.

All this is happening at a time when Arbed is on its way to completing its third profitable year in a row, after having spent more than a decade in the red. The group's turnover slipped by just under 5 per cent to LFr 31.9bn (\$773.5m) in the first six months of this year, while net profits climbed from LFr 496m in the first half of 1985 to LFr 802m.

However, Mr Faber is not expecting the recovery to go much further in present conditions. He expects that Arbed's end of year profits will be comparable to the 1985 result of LFr 1.12bn net and that 1987 might even see a return to loss, especially if Europe fails to hold off production quota relaxations. Prices already are under pressure from increasingly fierce competition from low-cost Third World producers.

The outlook for Arbed is tantalising for a country which is still smarting from the damage inflicted on its biggest single employer by worldwide steel over-capacity and plunging prices. For Arbed over the past 10 years has more than halved its workforce, from 23,000 to 13,000—the equivalent of scrapping 12 per cent of the world's population—which the government has pumped into the company in new share capital since 1983, some of which was raised through a special steel tax.

That, plus another LFr 2bn of equity raised from Societe General de Belgique, a 24 per cent shareholder, and LFr 5bn of convertible bonds put in by domestic banks, allowed Arbed to afford to make the job cuts it needed without forced redundancies.

In a sense, Arbed and the Luxembourg government, which owns 31 per cent of the equity, had little choice but to do as much as they could afford to cushion the social impact of the restructuring.

"Our problem," Mr Faber explains, "was that we had to deal with an industry that had grown far too big for the size of the country. We were faced with how to avoid putting an insupportable burden on to the state."

But in a different sense, Luxembourg's small size made Mr Faber's job easier, for he recalls that he frequently found himself facing old friends and former colleagues at negotiating sessions with the government and steel unions.

In the event, a third of the reductions were achieved through early retirement, with another third through pay-offs of between six months and a year's salary for voluntary redundancies, and the rest through a policy of not replacing those who left.

However, workforce reductions alone were not enough. A large number of additional staff, up to 4,000 at one point, had to be found non-steel jobs within the company.

This took the form of a so-called anti-crisis division, which employed Arbed steel workers to do all manner of jobs from clearing woods for local authorities to—in a supreme irony—building a modern blast furnace as part of Arbed's attempts to cut production costs in the remaining steel activities.

The anti-crisis division fulfilled its role of keeping people off the unemployment register, in recognition of which the government agreed to subsidise up to 20 per cent of its salary bill. For even after the crisis, only 1.6 per cent of Luxembourg's total labour force is jobless.

All the same, running the division was a costly experience for Arbed. Mr Faber declines to say exactly how costly, but he points out that it never made a profit, partly because divisional wages were deliberately fixed in line with what staff would have got in their old jobs as skilled steel workers, which was well over the market rate for what most of them were now doing.

Always seen as a short-term measure, the anti-crisis division has been gradually run down so that it now has only 200 staff, most of which are expected to have retired by early next year.

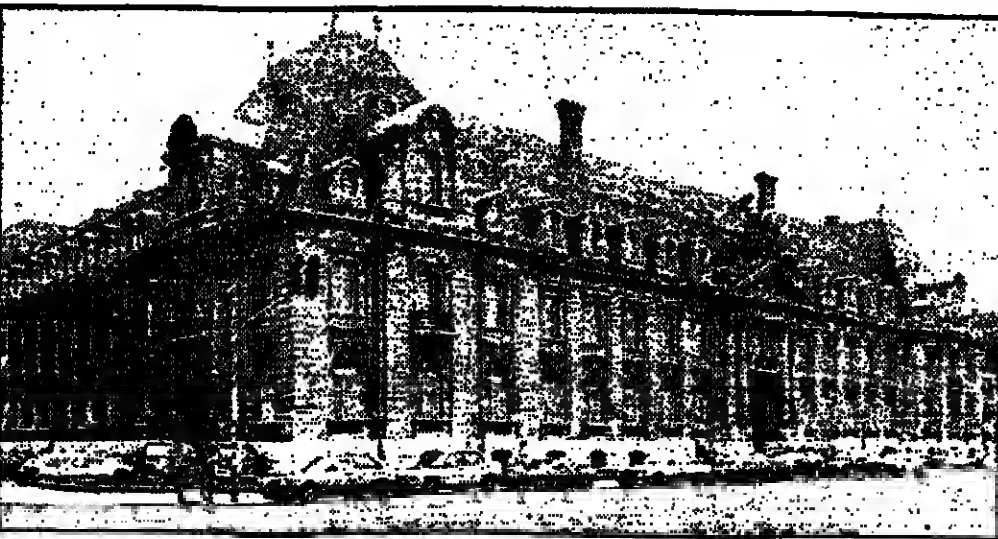
The effect of all these measures has been to allow Arbed to almost halve its debts from LFr 55bn to LFr 28bn over the past three years—an achievement in any industry but still leaving a suffocating burden of borrowing standing at 1.6 times the LFr 17.5bn in shareholders' funds.

In recognition of that progress, Arbed's share price stood earlier this month at about LFr 230, as against a low of a mere LFr 97 at the depth of the crisis. But even at their present level, Arbed's shares are priced at only some two-thirds of their nominal value, a reflection of the fact that the group has not paid a dividend for more than 10 years.

Mr Faber refuses to be drawn on when shareholders might expect to pay-out. "It will not be until we can guarantee that there will be regular dividends for every year afterwards," he says.

"We are not ones for paying a dividend one year and then changing our minds—and that means we may have to wait."

William Dawkins

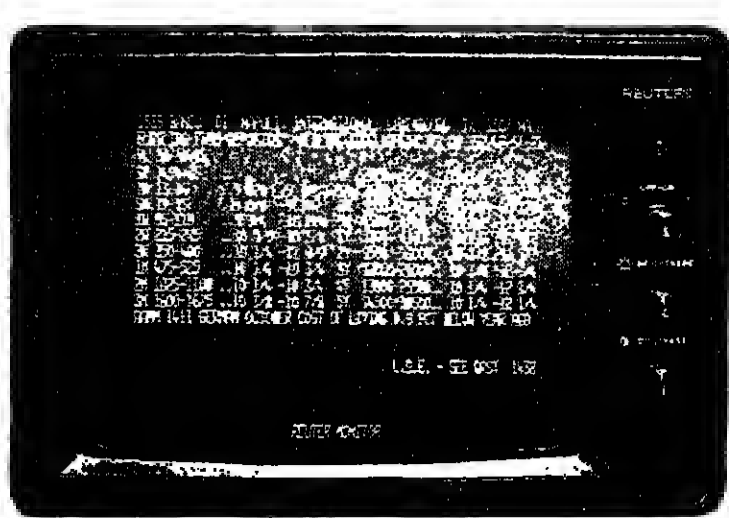


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European Investment Bank

Banking on caution

THE European Investment Bank is an institution which makes a positive virtue out of being dull and worthy. Some would say it is paranoid about publicity.

It is a lending institution which has shown astonishing growth over the past decade or more, boosting its loans from little more than Ecu 3bn (E2.2bn) in 1974 to more than Ecu 30bn in 1985, without counting the money it lends on other people's behalf (such as the European Commission).

It enjoys a triple-A credit rating on the international capital markets, which show no apparent indignation at its increasingly frequent calls for finance. In 1985, for example, it approached the markets with 37 public borrowing operations, for a total of almost Ecu 4.23bn in a whole host of different currencies.

Apart from being the largest banking operation in Luxembourg, the EIB is now the second largest multilateral lending institution in the world, after the World Bank.

With a certain smugness, its officials point out that it provided about 37bn in finance last year with a staff of some 850, compared with the World Bank's 88.5bn from a staff ten times the size. They then have to admit that they are not exactly operating in the same field.

Nonetheless, it still bends over backwards to be cautious and conservative in all its lending schemes, insisting on redoubled security.

Projects must be economically viable. There must be a sound borrower. And there must be adequate security, which means the guarantee of a member state, or something equally good, says Mr Dennis Kirby, former regional director for Britain's Department of Trade and Industry, who is now EIB manager for UK, Irish and North Sea operations.

"We do need rather stronger security than a commercial lender."

"We need stronger security than a commercial bank. We have no room for large bad debts."

Its statutory lending limit is 250 per cent of subscribed capital: the ceiling therefore increased from Ecu 36bn last year (in imminent danger of exhaustion), to a current level of Ecu 72bn, which should provide some future leeway.

The real acceleration in the bank's activity dates from 1973, when the accession of the UK, Ireland and Denmark coincided with the first oil shock. Energy investments became another major priority for lending, with the aim of cutting back on EEC oil imports and financing alternative energy sources.

To those priorities—and regional spending still remains of overriding importance—have now been added the promotion of high technology, and environmental spending on sewerage schemes and the like. The bank is in most things independent of the other Community institutions, although it ultimately reports to the 12 EEC Finance Ministers as its board of governors.

Its funds are by no means evenly distributed across the EEC. By far the largest proportion—went to Italy, followed by the UK, with France third and Greece fourth. Out of Ecu 5.6bn lent from the bank's own resources in 1985, Italy received Ecu 2.6bn, and the UK Ecu 1.1bn.

In addition to the money the EIB raises from its own borrowing, it is used by the European Commission to manage the allocation of funds from what is known as the New Community Instrument—money raised on the capital markets by the Commission itself for similar schemes, although with more emphasis on promoting small businesses, and less on regional development.

Quentin Peel



The EEC Court of Justice is hard to reach but highly respected

Adrian Ashwood

European Court of Justice

Referee in institutional warfare

IT IS little more than a stone's throw from the European Tower, where the EEC Council of Ministers meets for three months of the year, to the European Court of Justice.

To drive between the two requires a great deal of caution, however, even if you do not get lost and find yourself half way to town. To walk still means crossing a dual carriageway, cutting through a hotel car-park, skirting the long grass and going round a building site.

The difficulty of physical communications between the institutions of the European Community seems to reinforce the divisions between them when it comes to carrying out the aims and ambitions of the founding Treaty of Rome.

Yet of all the institutions, the European Court of Justice has carved for itself the highest reputation, and is most widely respected by the rest.

Increasingly, it has become the referee in institutional warfare, and the guardian of the traditions of the Treaty.

It is the institution least riven by national jealousies, in spite of drawing its 13 judges and six advocates-general from a host of differing legal systems, and having to work in 10 different languages (one more than Council, Commission and European Parliament, who do not use Irish). Its relative isolation from the regular hurly-burly of Community policies, tucked away in Luxembourg, gives it the sort of aloofness its position requires.

The Court does have one image problem: few outsiders can tell the difference between it and the European Court of Human Rights, which sits in Strasbourg. The latter is not a European Community institution, being an offshoot of the 21-nation Council of Europe, and lacking any powers to enforce its decisions on questions of human rights.

The Court of Justice, on the other hand, has quite specific powers to enforce the Treaty of Rome, powers which all the EEC member states now accept as taking precedence over their own national legislation.

"The Court is the one institution that has been really effective," Sir Gordon Slynn, the British Advocate-General, believes. "The Council is bogged down in a conflict of national interests. The Commission is frustrated because the Council does not act on its prop-

osals, and the Parliament is frustrated by its lack of power. The Court has laid down enormously important principles, without which the Community would not be where it is today. The Court has been very effective in supporting Treaty objectives like the free movement of goods, and in control of the Community institutions, to make sure they toe the line and obey the law."

That may be a partisan view, even from a senior judge, but it is one widely accepted. In addition, at least in the UK, the Court has managed to raise its profile above the level of purely commercial law with a series of judgments on genuinely popular cases.

One was the case of Mr Stanley Adams, the former employee of Hoffman-La Roche, the Swiss pharmaceutical company, who successfully sued the European Commission for releasing information which allowed him to be identified as the source of price-fixing evidence against his own company.

Another was the victory of Mrs Jacqueline Drake, who charged that the British government was guilty of sex discrimination in refusing to grant her an invalid care allowance as a married woman.

Earlier in the year, the Court ruled that British law requiring women to retire five years earlier than men was discriminatory, based on the case of former health service employee Mrs Helen Marshall. All featured on television and in the popular press in Britain.

That popular image has yet to be won in all EEC member states. Judge Ole Due, the Danish member of the court, fears that most people in Denmark only remember the decision which made the price of their domestic Aquavit spirit more expensive, and Scotch whisky relatively cheaper, by ruling against discriminatory tax rates.

The role of the Court as impartial arbiter of EEC affairs was also recognised by the heads of government at their Luxembourg summit in December 1985.

Efforts to reach agreement on reforms to the Treaty of Rome were deadlocked until Mrs Margaret Thatcher, the British Prime Minister, suggested the Court as the final judge of when national measures to protect health or the environment

amounted to no more than hidden barriers to trade. Everyone could accept that.

Yet some, particularly critics of the EEC as such, see the court as being too political. Because the Treaty of Rome and EEC directives are sometimes almost deliberately ambiguous, the Court has had to interpret the law.

"The Court is a creative court," Sir Gordon says. "But we have to be careful not to step into the legislative area. We are not the legislator. That is the Council."

Judge Due puts it the other way round. "I think the Court does play too big a role among the institutions—because the other institutions do not do enough," he says. "If and when the Court takes decisions on political questions, it is normally because the political institutions have failed to reach a decision."

The classic cases involving such failed decision-making on the part of the other institutions—which means primarily the Council of Ministers—are those involving transport and insurance.

On the former, the Court has ruled that the institutions have a duty to draw up a common transport policy. They also have a duty to enforce the rules of free competition in the disputed field of air transport, it has said.

The major insurance decision, on a Commission case against West Germany, Denmark, Ireland and France for refusing to open their national markets to non-life insurance, is expected before the end of the year. That follows 10 years of stalemate on the issue in the Council of Ministers.

The problem for the Court is that it is gradually being overwhelmed by the increasing volume of work. It does not exactly show in the hushed corridors, nor does its popularity shine out from courtrooms deserted by all but the judges themselves, as they listen to an opinion delivered by one of their colleagues.

But that is a function of the Continental court system, which keeps oral debates to a minimum, and written procedures are the order of the day. British judges like Lord MacKenzie Stuart, the president of the court, and Sir Gordon Slynn, have introduced more open questioning into the proceed-

ings, but it still remains the exception, not the rule.

Ruge piles of written submissions now accompany the growing volume of cases, particularly on detailed technical matters such as competition and anti-dumping cases. The answer from the Court is to plead its own cause for a new Court of First Instance.

In principle such a move was agreed in the reforms to the Treaty of Rome approved by the heads of government at the Luxembourg summit, embodied in what is called the Single European Act. That has to be ratified by all the national parliaments (supposedly by January 1), and only then can the Court propose the arrangements for such a new adjunct.

The idea is that the Court of First Instance would consider

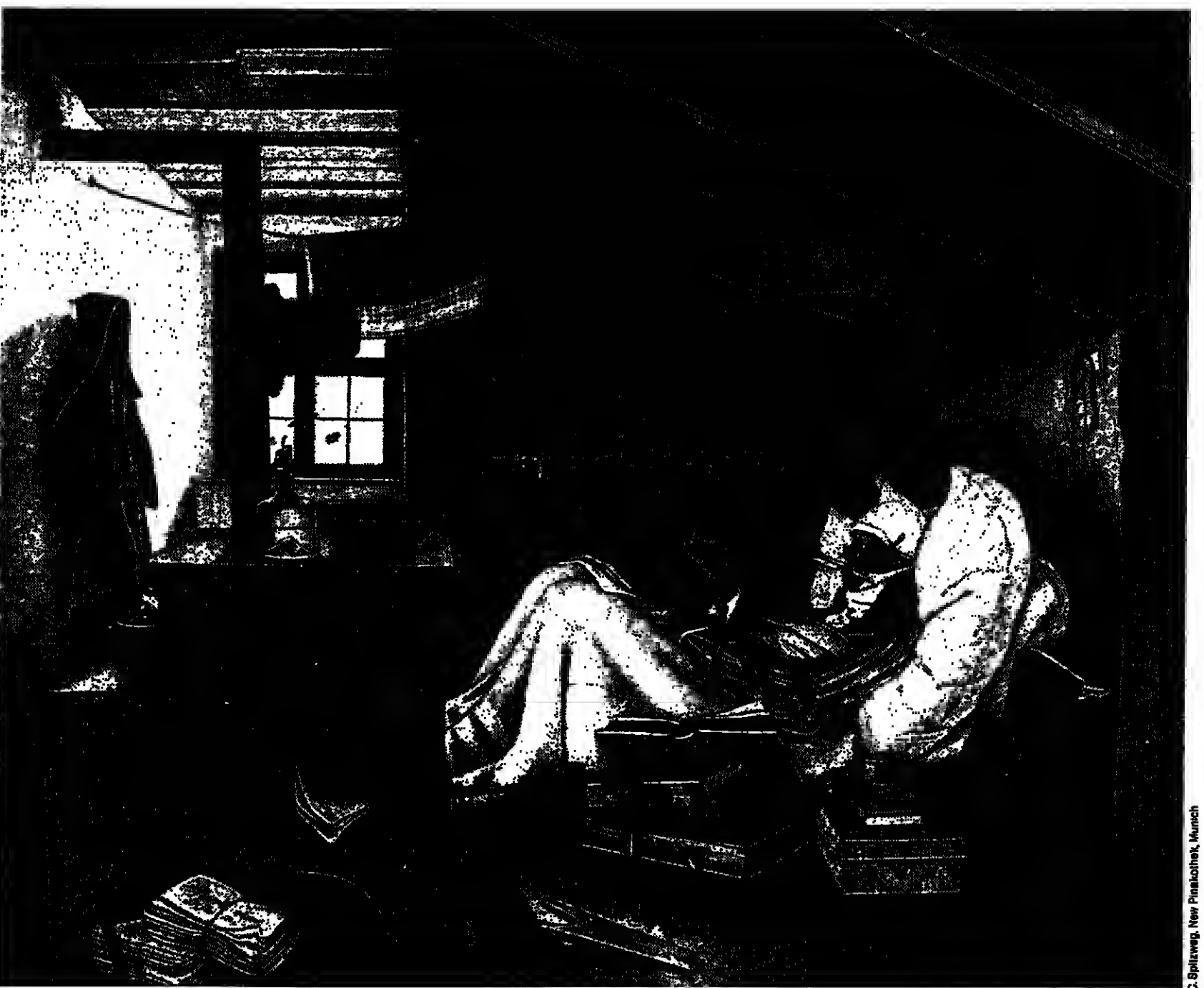
all the EEC staff cases currently coming before the full court, as well as all those requiring investigation of detailed facts like the competition and anti-dumping cases.

In the meantime, building work is already under way to extend the court's premises, so that it can accommodate all its staff in one building. About half the 500 currently work in temporary buildings, or sub-let office space from the Commission.

That shows a firm commitment to stay in Luxembourg. "It may be a nuisance to the parties to come here," Judge Due says. "For the Court it is no nuisance. It is nice to be in a rather secluded place. The quiet surroundings are rather healthy."

Quentin Peel

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Broadcasting

Big stake in satellite TV

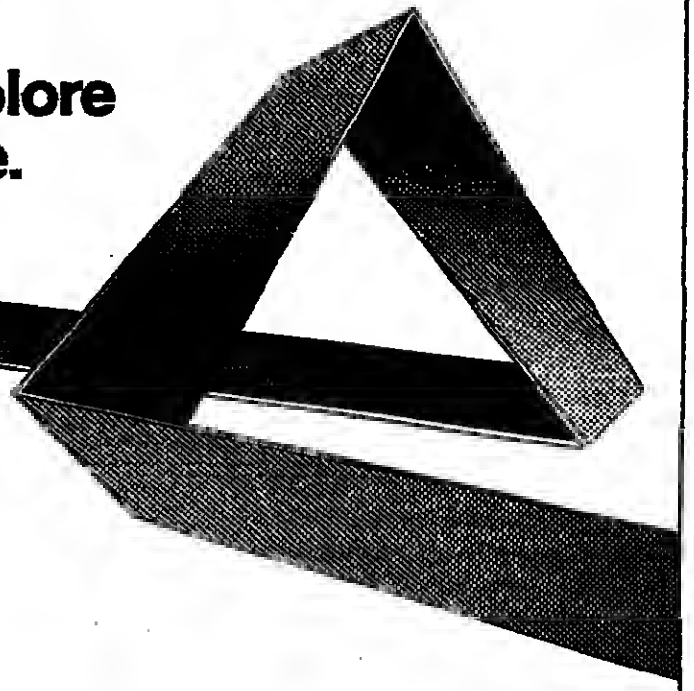
MARCUS BICKNELL does not mind admitting that until last February he had only a vague idea where Luxembourg was. That was when the British-born founder of the Music Box cable television channel moved to the Grand Duchy to take one of the most controversial jobs going in European broadcasting. In the process, he proved to himself that Luxembourg was contrary to what many Europeans imagine—more than just a notch on a radio dial, and became part of the tiny country's latest bid to enlarge its influence over this fast-changing industry.

Mr Bicknell is commercial director of Société Européenne des Satellites (SES), which has, in the 18 months since it was set up, swallowed LFr 4bn (\$97m) in an attempt to become the first private satellite broadcasting venture of any kind in Europe. "It's a huge risk," he admits. "We are either looking at total failure if the satellite goes down or if we find no takers for the channels, or we could be looking at a bonanza with television links to tens of millions of homes." As it is, last May's explosion of the European space rocket Ariane, on which SES plans to launch its Astra satellite, has put the project a year behind schedule.

SES is very much the brainchild of the Luxembourg Government, which played a big part in its birth, owns 20 per cent of the shares and is pledged to guarantee up to LFr 3.5bn of SES borrowings. As such, it is the country's main weapon in a European battle to win the high ground in direct broadcasting—the transmission of satellite television programmes to individual receiver dishes mounted on viewers' homes. If all goes to plan, SES now plans to launch its medium power satellite in February 1988 to broadcast 16 channels across Europe from Norway to Gibraltar.

"We could see no need for more channels than that," says Mr Grass. "In any case, SES will be working with telecommunications frequencies (unlike TDFI, which as a high power satellite, will use different frequencies) so they will need authorisation from the PTTs—and it is not yet clear if they will get it." CLT is also negotiating to operate France's channel five and is a candidate for channels on the new German direct broadcasting satellite, TV Sat.

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Nuclear campaign

Protests on French power station

THE SOUTH-EASTERN corner of Luxembourg is a patchwork of magnificent beech woods, fields and old villages, with grape vines climbing the hillside that face south across the river Moselle. But dominating this tranquil scene on the French side of the Moselle is an ultra-modern nuclear power station, its four giant cooling towers visible for miles around.

To most Luxembourgers, Cattenom nuclear power station represents a powerful threat, a constant reminder of their tiny nation compared with its big neighbour. Cattenom has dominated the political life of Luxembourg for 100 years. The irony is that building of the French plant started in 1978, just months after Luxembourg had scrapped plans to build its own nuclear power station at Remerschen, also on the Moselle.

Further, French safety limits on radioactive emissions, which govern Cattenom, are based on "safe" radiation levels of 60 curies per year—five times higher than the 12 curies limit set by Luxembourg and West Germany. A Franco-Luxembourg convention signed in March this year gives Luxembourg some say in the operation of the plant. However, it has had a stormy reception from public and politicians, and is unlikely to be ratified until new issues arising out of the Chernobyl accident have been discussed.

Which Luxembourg would be linked. "We believe this is very important for two reasons," says Mr Nicolas Schmidt, leader of the inter-ministerial government committee on Cattenom. "Firstly, we cannot accept that the security of our country has to rely on an independent company, the EDF, which is at present responsible for reporting accidents. Secondly, we believe we should have access to information immediately because every minute is vital in organising assistance to people, and possibly evacuation."

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Demonstrators at Cattenom: two thirds of Luxembourg's population lives within 40km.

Nicolas Schmidt's inter-ministerial committee is engaging two new experts to bring the security analysis up to date, and to study international law relating to nuclear power plants in the hope of strengthening Luxembourg's case against Cattenom. Though few believe that Luxembourg will succeed in stopping Cattenom entirely, reactors three and four are still far enough from completion, Mr Schmidt says, to give the campaign something to fight for while continuing to press for tighter security measures overall.

For Mr Faber, however, the campaign means something more than practical achievements: "There has to be a point at which we stop, cool everything that becomes technically possible has to be accepted politically. I think in future there will be a reorientation towards things more humane and environmentally friendly."

Sue Armstrong

LUXEMBOURG 8

Culture 'clash' for expatriates

A NEWSPAPER recently carried an advertisement for a banker based in Luxembourg. Along with a "competitive salary," the advert also tempted the prospective candidate with "the attraction of a metropolitan centre and European capital, Luxembourg."

The advert may have been effective, and it may have pleased Luxembourg's tourist office. But the reaction among the country's expatriates was mostly raised eyebrows and stifled laughter.

For whatever attractions Luxembourg does have—and it has several—being a lively metropolitan centre is not one of them.

New arrivals from Paris or London often suffer a severe case of cultural deprivation in their first few months.

Apart from a handful of cinemas, where many of the films are in English, evening

entertainment is limited. A couple of theatres offer local or imported productions in French, German or the native Luxembourgish. But the English-speaking theatregoer has to make do with mostly amateur offerings and the inevitable Gilbert and Sullivan.

Classical music fans fare slightly better with regular recitals by Radio Luxembourg's own orchestra and two festivals each year, one in Wittz and one in Echternach. Pop and jazz, however, are scarce.

An evening out thus tends to be spent in a restaurant or one of the "in" bars with the unlikely names of The White Rose, The George and Dragon or The Cockpit.

Faced with this lack of after-work pursuits, younger residents are not keen to stay on longer than they have to. One senior British banker com-

plained that his teenage children managed to find an excuse each school holiday to avoid coming to Luxembourg.

But other expatriates swear by the place, relishing the high standard of living and the relaxed pace of life, as well as Luxembourg's central location in Europe.

Luxembourg is no tax haven, contrary to widespread belief. Basic tax rates are due to be cut by 2 per cent next year to 38 per cent, although European Community employees get a special deal and the government is looking at ways of tempting senior banking experts to come to Luxembourg by offering tax concessions.

But you hear few complaints since high salaries more than make up for the taxes in most cases and food, drink, cars and houses are relatively cheap.

Luxembourg is the richest

country in the EEC, measured in terms of earnings, with an average income of about £11,500 a year and much of this is due to high salaries for foreign residents. In contrast, Britain boasts an average income per head of just over £9,000.

Schools for expatriates are good and health care is excellent. In Luxembourg, going to the doctor is like buying a car. You choose your specialist out of the phone book and if you don't like the treatment, you change to someone else.

Rents in Luxembourg city itself can be high. But many expatriates choose to live just outside town, where a three or four-bedroom house with garden can be had for the price of a small flat in London.

Many people also enjoy the fine countryside. There can be few European capitals where a 15-minute drive from the office

sees you out of the city and in the middle of woods or rolling fields. Another half-hour and you can be in Luxembourg's "Little Switzerland," an area of real beauty with wooded hillsides and rocky outcrops just near the German border.

The change from a mainly agricultural economy to a banking centre of regional if not international importance has been abrupt and has meant a large influx of money into a tiny country.

Most of this goes on conspicuous consumption—new Mercedes cars, abundant jewellery and fur coats are much in evidence even on trips in the supermarket, and the centre of Luxembourg boasts an impressive collection of expensive shops offering an array of designer fashions, gold watches and diamonds.

But the sudden wealth has not destroyed the small town atmosphere of most of the country.

Shops close religiously between noon and 2 pm and business remains a civilised affair, with everything stopping for a long lunch.

The small towns feel applies to the bureaucracy, too. Like most countries in Europe, setting up home in Luxembourg involves a bewildering number of forms to fill in to register with the authorities. But unlike other countries, you can usually get to talk to the person who is actually dealing with your application.

The same applies for the mundane problems of everyday life. Long-term residents often regard the newcomers with apocryphal stories of calling up a minister to complain about a pothole in front of their home. While not all of these stories are true, the phone book does



Strollers in the Grand Rue paved shopping precinct.

list the numbers of government ministers' offices and a quick call to the head of, say, the Post Office, can produce startlingly quick results.

Luxembourg is also surprisingly free of antagonism to foreigners, even though about 25 per cent of the country's population and a much higher proportion of the working population are not Luxembourgians.

With more than half of the places at kindergartens and primary school being taken up by foreign children, some backlash might be expected. But Luxembourgians, who have perhaps been hardened by 22 invasions in the country's history,

seem to welcome the contribution made by foreigners.

The Luxembourg solution is one of separate development rather than migration. The country is proud of its motto "Mir, wolle bleiwe wat mir sinn" (We want to stay what we are) and proud of its survival through two world wars which saw German troops march across the country.

Different nationalities tend to stick together and an invitation to a Luxembourgian's home is a rare event for the expatriate.

The native Luxembourgian language, a Moselle-Frankish dialect which owes much to German, is spoken everywhere and although almost everybody also

speaks French and German, a foreigner who takes the trouble to learn the language invariably receives a much warmer welcome and often gets better service in the shops.

Finally, the one attraction that almost all foreigners cite about Luxembourg is that when the quiet life gets too much, it is easy to get away.

Situated right in the heart of Europe, you can be in France or Germany almost before the car is in top gear. Paris or Brussels are only a few hours away and London can be reached comfortably in a day's driving, or in just over an hour by plane.

Special Correspondent

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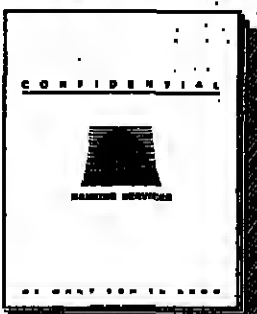
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Wines Quality that is little known

THAT NOT many people know Luxembourg wines is due mainly to the fact that Luxembourgians drink almost as much wine as they produce and only a comparatively small amount, some 7m litres, is exported.

But the white wines produced on the slopes of the Moselle on Luxembourg's border with Germany are rightly renowned by those who know them.

The country's wines are dry and refreshing and go well with fish or can be drunk on their own without the day-after headache that heavier wines cause. There are seven main types, all white:

Elbling, until recently the most common, is a dry, but sometimes tart white wine drunk as an everyday table wine.

Rivaner, which has now overtaken Elbling as the most common wine, is produced from a cross between Riesling and

Sylvaner grapes. It is a mild, dry wine with a distinctive flowery bouquet.

Auxerrois, a full-bodied, fruity wine, is ideal as an aperitif.

Pinot blanc, a white burgundy, is fresh, dry and fruity. An ideal wine for fish or seafood.

Pinot Gris or Kalandier, higher in alcohol than most of the other wines, is smooth and full of flavour. It is often served with roast meats instead of a red.

Riesling, the aristocrat of Luxembourg's wines, is fine, dry and fragrant and goes well with most dishes or on its own.

Traminer, a mild wine with a high alcohol content, is another quality wine with a slightly spicy bouquet.

In addition, there is a small amount of Pinot Noir, a light, misty red, for the finest of the country's wines.

Wines also carry the name of the area or vineyard where they originated. Wine drinkers argue

endlessly about their preferred spot, but Wormeldange is undoubtedly the country's Riesling capital.

Undoubtedly the best way to discover your favourite is to follow the "wine road" from Wasserbillig to Schengen, on the border with France and Germany. But if time is short, here are a few suggestions: 1983 Riesling - Wormeldange; Köppchen Grand Premier Cru; 1983 Pinot Blanc Markusberg Grand Premier Cru; 1983 Auxerrois Wormeldange Pieter Grand Premier Cru; 1985 Riesling Felsberg Grand Premier Cru; 1986 Gewürztraminer Markusberg.

If you are not a wine drinker, do not despair. Luxembourg boasts a beer industry which traces its history back to the Middle Ages. Today five breweries produce enough to satisfy the Luxembourgian's thirst for an average of more than 100 litres a year.

Special Correspondent

Where to stay and where to eat

THE WEALTH of Luxembourg is reflected in the number of cars on the roads—officially estimated at 184,000 for a population of 360,000. Traffic, especially in Luxembourg City, can be heavy.

Times to avoid are between 7.30 and 9 am and 4.30 to 6 pm—anyone trying to catch a train or a flight at these hours should allow up to an extra quarter of an hour to get to the station or the airport.

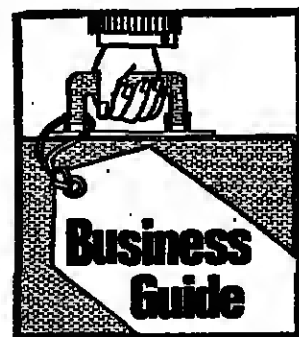
Taxis are numerous, though it is impossible to flag one down on the street. Regular taxi stands can be found at the station or next to the main post office in the Avenue Monterey. The main firms are City-Tele-Taxis on 49 00 58 or Taxis-Colus on 49 22 23.

A taxi from the airport to the city centre costs about LFR 500 and takes about 15 minutes. A regular bus service runs between the airport and the station—closer to the night clubs than the banks—and costs LFR 120.

Major hotels run a regular minibus service from the airport, free for hotel guests though a small charge is made for non-residents.

Main hotels in Luxembourg city:

Le Royal, 12 Boulevard Royal (Tel 41618, Telex 2979). A new five star hotel: the only one in the centre. Sauna and small



swimming pool. Good restaurant and buffet breakfast, cocktail bar and night club.

Cravat, 29 Boulevard Roosevelt (Tel 21978, Telex 2946). An older, family run hotel with four stars and old-world charm. Excellent views and reputable restaurant and wine cellar. Close to all the banks.

Near Luxembourg city:

Intercontinental, Rue Jean Engling (Tel 43 78 1, Telex 3754). Five stars. Situated on a hill outside town, with excellent views. About 15 to 20 minutes from town or the European Parliament. Health club with swimming pool. Good restaurants.

Novotel-Arvisse Parc Hotel, 120 Route d'Echternach (Tel 43 58 43, Telex 1418). Four stars. About 10 minutes outside town

by car. Surrounded by woods, with own swimming pool.

Aerogolf Sheraton, Route de Treves (Tel 34571, Telex 2662). A modern, four-star hotel in its own grounds next to the airport and, as the name suggests, close to the golf course. About 15 minutes from town by car, but the hotel runs regular minibuses. Own jogging path and swimming pool.

Holiday Inn, Rue de Fort Centre Européen (Tel 43 77 61, Telex 2751). One of the chain. Four stars and directly opposite the European Parliament and the European Court of Justice.

Country hotels:

Sinamer, 115 Route de Mosaelle, Ehnen (Tel 76030). Delightful hotel on banks of the Moselle, in the heart of Luxembourg's vineyards. Favoured by diplomats and Luxembourgians alike. The restaurant is rightly renowned, with excellent fish and a good wine cellar which has won it a Michelin star. About an hour's drive from Luxembourg city.

LUXEMBOURG CITY:

St Michel, 52 Rue de l'Eau (Tel 28215). Tucked into the old town, the St Michel has won two Michelin stars. Food is undoubtedly good and service attentive, but pricey. Booking essential.

Bouzenville, 138 Rue Albert Uden (Tel 47 22 53). No Michelin stars, and unlikely to have any as the owner has cut relations with Michelin after what he considered unfair grading. But the French couple who run the restaurant produce very good nouvelle cuisine in a relaxed atmosphere with a lovely view. Booking recommended.

OUTSIDE TOWN:

Hertz, 1 Rue Clairefontaine, Diekirch (Tel 803562). Another two Michelin stars. "Mother Helen" turned the Hertz into the centre of Luxembourg gastronomy. In the four years since Antonio Pretti took over, traditions have been maintained. Traditional French cooking of the finest, and there are always rooms in the hotel. Booking recommended. About 30 minutes from Luxembourg city.

La Bergerie, at Geyersdorf (Tel 79464). Two Michelin stars. About five kilometres before Echternach, fine nouvelle cuisine in an old farm setting, deep in the forest. Booking essential. About an hour from Luxembourg centre.

Restaurants

LUXEMBOURG City is an excellent place to eat and drink. But the city centre restaurants cater for the visiting businessmen, and are priced accordingly. It is often worth travelling outside the town for a meal.

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